Austria	Sch30	Indonesia	Rp3800	Pakistan	Rs35
Bahrain	Din1.000	Iran	Rls210	Philippines	Pso45
Belgium	BFr60	Israel	Shk5.50	Poland	Zl 18,000
Cyprus	C£1.00	Italy	L2500	Portugal	Es180
Czech	Kcs28	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr14	Korea	Won 2500	S.Arabia	SR9.00
Egypt	E£4.00	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,250	Spain	Pta200
France	FFr6.00	Lux	LFr60	Sweden	SKr14
Germany	DM2.30	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft132	Nigeria	Naira20	Tunisia	Din1.500
Iceland	IKr170	Norway	NKr15.00	Turkey	L6000
India	Rs25	Oman	OR1.20	UAE	Dh8.00

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BRAZIL

A large question mark on the economy

Page 4

World News

Haughey resigns over phone-tapping scandal

Charles Haughey resigned his Irish premiership over a 1982 telephone-tapping scandal, setting in motion a campaign for the leadership of the Fianna Fáil party. Mr Haughey, who formally hands over the party leadership next Thursday, had been given an ultimatum by his coalition partners to resign or face a general election. Page 18; Luck runs out for great survivor, Page 2

Yugoslav tension grows

There were fears of renewed violence in Yugoslavia after the UN special envoy said he would not recommend deployment of peacekeeping troops to Croatia at today's Security Council meeting. Page 2

Japan may cut defences

Japan is considering cutting its defence forces in response to reductions in US and former Soviet military forces. Page 3

Arms cargo intercepted

German warships intercepted a German-registered freighter carrying arms to the Middle East. The ship, which had sailed from the Polish port of Szczecin, was escorted to Gibraltar.

Clinton recovers lead

Arkansas governor Bill Clinton regained a strong lead among Democratic voters in New Hampshire as President Bush slipped among Republicans, according to the latest poll.

Habash provokes furore

France's decision to provide hospital treatment for Palestinian leader George Habash sparked anger from opposition leaders. Mr Habash, who suffered a stroke in Tunis on Wednesday, heads the organisation that pioneered aircraft hijacking in the 1970s.

Arms inspection deal

North Korea signed an agreement in Vienna to allow international inspection of its secret nuclear facilities. Page 3

Algeria acts on slums

Bulldozers and builders are to move into Algeria's slums in an effort to improve conditions and, in the process, to weaken the appeal of Islamic fundamentalism. Page 3

Military service review

The South African government is to propose a bill this year offering an alternative to white youths who object to military service for political reasons.

US to screen Haitians

The US, fearing a mass influx of refugees, is to set up screening facilities in Haiti for those wishing to settle in America.

No U-turn for China

China will pursue economic reforms but will not abandon communism or tolerate political unrest, Premier Li Peng told the World Economic Forum meeting in Switzerland.

Poles seize icons

Polish customs officials confiscated 40 icons – many golden or inlaid with precious stones – from a military train travelling to Germany from the former Soviet Union. The icons will be housed in a Polish museum until their rightful owner is found.

Business Summary

Upturn hopes hit by fall in US durable goods orders

Orders for US durable goods fell 5 per cent last month, casting doubt on the Bush administration's upbeat budget projection of an early economic recovery.

The fall was the largest for more than a year and much greater than expected. Excluding *defence, new orders fell* by nearly 9 per cent. Page 18

ITALY'S politicians approved a long-awaited law granting the central bank greater independence in setting monetary policy. Page 18

GERMAN carmakers said they would have to shed labour because of rising costs and the need to slim operations in line with the rest of Europe's car industry. Page 18

USINOR SACILOR, Europe's largest steelmaker, estimated net losses for 1991 at FFr3.1bn ($568m) and announced plans to shed 8,000 staff over the next three years. Page 19

UAL, parent company of United Airlines, reported its largest-ever quarterly loss, $252.6m, and warned it planned to cut capital spending by at least $2bn over the next three years. Page 19

PARIBAS, French investment bank, suffered estimated net loss of FFr200m (£20.43m) last year against net profits of FFr2.5bn in 1990. The collapse of the Maxwell empire contributed to the loss. Page 19

AIRLINES in Europe suffered their worst setback last year since 1945 because of the recession and the Gulf War. Passenger numbers fell more than 7m to 99m. Page 2

BRITAIN'S Export Credits Guarantee Department has made provisions of £496m against possible bad debts in the former Soviet Union and Yugoslavia. Page 5

OFTEL, UK telecommunications regulator, promised to maintain firm control over BT prices as it launched its most comprehensive review of the company since privatisation. Page 5

PHILIPPINE Airlines has been sold under the Manila government's privatisation programme to a consortium of local businessmen for $368m. Page 3

FRANCE is to grant Kuwait FFr5bn ($917m) worth of export credits to boost trade between the two countries. Page 4

PORTUGAL'S Banco Comercial Portugues, the country's biggest listed company, increased net profits 33 per cent to Esc 18.2bn ($133m) last year. Page 20

REEBOK, US sports shoemaker, reported record sales last year of $2.73bn, up 26.6 per cent, and net profits of $234.7m, against $176.6m last time. Page 22

INCO, world's largest nickel producer, suffered an 81 per cent drop in earnings to $82.6m last year because of lower metal prices and higher production costs. Page 22

HUNGARY has shortlisted French, Italian and Spanish led-consortia bidding to build and operate a $360m privately financed toll motorway from Budapest to the Austrian border. Page 4

Weekend FT

Tomorrow: How scientists are cracking the code of human life

●

The misery of Maxwell's pensioners

John Major tells Yeltsin that nuclear deterrent will be kept

UK to give Russia extra aid

By Ivo Dawnay and Robert Mauthner in London

Picture Tony Andrews

John Major, UK prime minister (left), and Russian premier Boris Yeltsin outside Mr Major's Downing Street house

BRITAIN and Russia yesterday signed a declaration of friendship providing for closer economic and military co-operation, including joint efforts to reduce forces and armaments.

The 15-point declaration, which is to be converted into a treaty later this year, was signed in Downing Street by Mr John Major, the British prime minister, and Mr Boris Yeltsin, the Russian president, who was making a stop-over in Britain on his way to New York for today's United Nations Security Council summit.

Mr Major, during four hours of "warm and friendly" talks, made it clear to Mr Yeltsin that Britain would not cancel or reduce its Trident nuclear weapons programme, which represented a minimum "credible deterrent".

Although it had been suggested previously that Mr Yeltsin would put pressure on Britain to reduce its nuclear weapons in line with the latest US and Russian proposals to cut strategic arms, the Russian leader proved to be surprisingly accommodating.

Mr Yeltsin said he respected the British government's decision, adding: "The number of nuclear weapons at the disposal of the UK is not comparable with ours and therefore the matter is not really worth any discussion." In spite of Mr Major's declared intention to go ahead with the Trident programme, the Russian leader announced on the steps of Downing Street that Russian missiles would no longer be *targeted at Britain, echoing a* similar undertaking which he has already given to the US.

Mr Major said in a toast at a working lunch in Downing Street that the visit, the first paid to Britain by Mr Yeltsin in his capacity as Russian leader, had turned "a new page in history". The joint declaration, entitled "Partnership in the Nineties", was an indication that co-operation had *replaced confrontation in* Europe, "we hope for ever".

Under the declaration Britain has agreed to give further economic assistance to Russia and the members of the new Commonwealth of Independent States (CIS), in addition to the financial and food aid it has already provided.

The UK would make available £280m ($505m) in new export credits and investment *insurance for Russia and the* other republics of the CIS, in the context of an International Monetary Fund programme, Mr Major said. The UK, the first country to propose Russian membership of the IMF, would also press for Russia to be admitted to the organisation by an April deadline.

In addition, it would make an improved European Community trade and co-operation *agreement with Russia one of* the priorities of the next UK presidency of the EC, which starts in July this year.

In the defence field, the UK has agreed to co-operate with the Russians in handling surplus Soviet nuclear weapons and safeguarding nuclear materials. A team of technical experts will be sent to Moscow to assess the immediate needs. Britain has also agreed to help *in the restructuring of the former Soviet armed forces.*

ECGD annual report, Page 5

Nissan UK chief sought by taxation authority

By Kevin Done, Motor Industry Correspondent, in London

BRITAIN'S tax authority, the Inland Revenue, has issued a warrant for the arrest of Mr Octav Botnar, chairman and managing director of Nissan UK, the former importer/distributor of Nissan vehicles in the UK.

Mr Botnar, 78, was named in Teesside magistrates court, Middlesbrough, northern England yesterday in charges brought against Mr Tore Arne Thorsen, manager of Scansiris AS, a Norwegian freight transport company, alleging a corporation tax fraud in which NUK pre-tax profits had been understated by £100m ($181m).

Separately Mr Michael Hunt, NUK assistant managing director and a major personal shareholder in NUK, and Mr Frank Shannon, a former NUK finance director, appeared in Worthing magistrates court in southern England yesterday also charged with alleged corporation tax fraud.

Mr Hunt, who was also named along with Mr Botnar in the charges against Mr Thorsen, was charged in Worthing with alleged corporation tax frauds in which NUK pre-tax profits had been understated by a total of £150m over a period of 17 years. Mr Hunt, 58, was charged on two counts.

The first alleged that he had "cheated" the Inland Revenue of corporation tax between December 1 1982 and December 31 1991 "with intent to defraud".

The charge alleged that he had arranged "dishonestly" for the preparation of "falsely inflated" invoices by Scansiris showing sums for freight charges allegedly due from Nissan UK.

The charge stated that the invoices were charged in the Nissan UK accounts for the years ended July 31 1983 to *July 31 1992, causing pre-tax* profits to be understated by about £100m.

In the Middlesbrough magistrates court the same detailed charge was made against Mr Thorsen that "together with Octav Botnar and Michael Hunt" he had cheated the Inland Revenue with "intent to defraud".

Mr Hunt was also charged along with Mr Shannon that Continued on Page 18

Licensing authority accused, Page 5

US accuses Spain of avoiding aid curbs

By William Dawkins in Paris and Peter Bruce in Madrid

THE US and Spain have become embroiled in a row over a suspected attempt by *Madrid to circumvent tough* new curbs against the misuse of aid to buy market share in developing countries.

Washington, supported by many of its fellow members of the Organisation for Economic Co-operation and Development (OECD), has accused Spain of abusing the new rules by launching two unusually large lines of export credit only a fortnight before the restrictions come into effect.

The new rules will restrict the use of such assistance to genuine development aid, like schools and hospitals, and ban it entirely for richer developing countries.

The dispute blew up after Spain informed the OECD's Paris headquarters that it had agreed to make available SDR723m ($1.02bn) of mixed aid and commercial credit, to Mexico and SDR650m to Venezuela, both of which would be ineligible for such assistance under the new rules.

These credit lines, the latest in a longstanding Spanish campaign to promote trade links with Latin America, are available for two years and are made on condition that the recipients use them to purchase Spanish exports, an OECD official said.

Their combined value of SDR1.4bn compares with Spain's $800m aid budget for 1990, according to the OECD's latest records. Spanish officials say most of – if not all – the credit lines are simply existing credits which had not been fully taken up and which are being renewed.

They are among the five largest concessional credit lines ever recorded by the OECD, an official close to the talks said. A US official added that the move was a serious breach of the agreement.

Italy, which like Spain had resisted the new curbs, has also made available unusually large concessional credits recently, but these are not nearly large enough to cause a political problem, officials say.

The curbs were agreed in principle at the end of last October, pending ratification by OECD members' parliaments. They received their final touches at an OECD meeting in Paris this week, and will come into effect on February 15.

The new rules allow OECD members for the first time to vet each others' aid projects in advance to ensure that aid budgets are not used for schemes that could be commercially financed. Projects worth more than SDR50m must be examined by a committee of OECD members. Smaller deals must also be notified, but will be normally cleared.

Spain argues that its credit lines for Venezuela and Mexico are not yet covered by the curbs, but critics maintain that everyone has been bound by the rules since last October's outline agreement.

OECD officials are currently co-ordinating a furious debate between national trade officials, conducted on international computer lines, in an attempt to resolve the row.

Guinness Peat Aviation hopes to accelerate $1.5bn flotation

By Roland Rudd and Robert Peston in London

GUINNESS Peat Aviation, the world's largest aircraft leasing company, is hoping to bring forward its flotation to late *March* or *early* April, when it is expected to launch a $1.5bn international share offering.

An adviser to the group, which is based in Shannon in the Irish Republic, said yesterday that Mr Maurice Foley, GPA's president, was planning to announce the group's decision to go public on February 11, when it discloses its quarterly profits.

Yesterday, the group's financial advisers were meeting to discuss the pricing of the flotation, which could value the group at more than $3bn. The share offer is likely to be one of the biggest flotations of a private sector company, as opposed to a privatisation.

Earlier this year GPA raised $100m through a private placement of convertible redeemable preference shares in the US. These convert into ordinary shares at a price of $34. However, the group's advisers believe the new ordinary shares are likely to be priced at between $20 and $25.

The offering is likely to make multi-millionaires out of most of GPA's executive directors. The shareholding of Mr Tony Ryan, the group's chairman and founder, is likely to be worth more than $200m at the flotation price.

The share sale will also raise millions of dollars in new money for the company, which it needs to finance its ambitious programme of aircraft purchases. The total value of shares on offer – likely to be no more than $1.5bn – will depend on how many of its existing shareholders wish to sell.

There has been speculation that a share sale would take place later in the year, but GPA has decided to accelerate *the flotation process to take* advantage of the buoyant US stock market. It hopes to make a preliminary filing with the Securities and Exchange Commission, the US regulator, by the end of next month.

The marketing of the offer would then begin at the end of March and the sale of shares would take place in April.

The timing of the flotation depends in part on the date of the UK general election. GPA hopes the election will be called on April 9 and is thought to be relying on the political intelligence of Mr Nigel Lawson, the former Conservative chancellor of the exchequer, who is a non-executive director.

If the election is later, the offer may have to be delayed briefly until after the British election takes place.

The group's investment bank advisers – Japan's Nomura, the UK merchant bank, Schroders and Goldman Sachs of the US – are earmarking a third of the shares for each of the London, Tokyo and New York markets.

GPA will obtain listings simultaneously in New York and London. The Japanese share sale will be a public offering without listing, a technique pioneered in the UK water industry privatisation.

CONTENTS

Lord Hanson's reputation for takeover skill is in peril

Lord Hanson's statement that his company would not be bidding for ICI has put in peril his reputation for mastery of the acquisition game. Questions about the future of his acquisitive conglomerate will become more pressing.

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MARKETS

STERLING
lunchtimelunchtime:
$1.7825
London:
$1.7745 (1.8065)
DM2.8775 (2.8725)
FFr9.8075 (9.7875)
SFr2.5575 (2.56)
Y223.5 (226.5)
£ Index 90.8 (91.0)

GOLD
New York Comex Feb
$355.6 (356.1)
London:
$356.15 (355.95)

N SEA OIL (Argus)
Brent 15-day Mar
$18.025 (18.05)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.6145
FFr5.50
SFr1.4345
Y125.75
London:
DM1.621 (1.59)
FFr5.5275 (5.4175)
SFr1.4405 (1.4175)
Y126.0 (125.4)
$ index 63.0 (62.4)
Tokyo close: Y125.6

US LUNCHTIME *rates*
Fed Funds: $3\frac{15}{16}$%
3-mo Treasury Bills:
3.91%
Long Bond:
$102\frac{19}{16}$
yield: *7.73%*

STOCK INDICES
FT-SE 100: Yield 4.81
2,550.8 (+4.3)
FT-A All-Share:
1,218.88 (+0.2%)
FT-SE Eurotrack 100:
1,131.87 (−0.98)
New York lunchtime:
DJ Ind. Av.
3,236.14 (+11.18)
S&P Comp
411.47 (+1.13)
Tokyo: Nikkei
21,557.67 (+195.41)

LONDON MONEY
3-month interbank:
$10\frac{5}{8}$% (same)
Liffe long gilt future:
Mar $97\frac{15}{32}$ (Mar $97\frac{9}{16}$)

Final text agreed of EC union treaty

By David Buchan in Brussels

EC governments yesterday received the final version of the Maastricht treaty on European union for signature next week, after vain Dutch and Irish attempts to alter aspects of the controversial social policy protocol agreed by Britain's 11 partners.

Negotiated at last month's Maastricht summit, the "treaty on union" is likely to be signed on February 7 in Maastricht at a meeting of foreign and finance ministers.

The past month, spent in cleaning up the text for signature, has produced a treaty whose substance is virtually identical to that agreed by EC leaders on December 11.

But it has also revealed some Dutch and Irish nervousness about the social protocol, designed to bypass the UK government's rooted objection to passing more EC labour rules by majority verdict.

First, the Dutch tried to write into the 11-country protocol some of the compromises they floated during the Maastricht summit when they were still trying to get Mr John Major, the British prime minister, on board. These changes would have slightly curbed the scope for social policy action by the 11 countries.

Second, the Irish sought to rectify a quirk in the protocol's voting weights which will make it harder to assemble a blocking minority among the 11. Dublin privately shared a few of the UK government's reservations about EC social policy. With unanimity required for any amendment, it was enough for Belgium and Italy to object to the Dutch and Irish suggestions.

Curiously, Britain's partners all seem ready to put their pens to their social protocol without first settling some of the wider legal questions it gives rise to. But Mr David Williamson, the Commission's secretary general, said this week that any laws passed under the 11-country protocol would be standard EC law, and would have to be accepted by countries joining the EC.

Italy lets Sud Tyrol have more autonomy

By Judy Dempsey

THE *disintegration of the Austro-Hungarian empire in 1918 may well be viewed by historians as one of the main causes of today's violent ethnic conflicts in Yugoslavia and the Soviet Union.*

But a decision yesterday by the Italian government to allow the German-speaking Sud Tyroleans more autonomy may inject a glimmer of hope into the belief that disputes over ethnicity and autonomy can be solved peacefully.

Indeed, the civil war in neighbouring Yugoslavia might have provided Rome with the impetus to settle at least one of its ethnic disputes.

Until 1919, when the Paris Peace Conference supervised the break-up of the Habsburg Empire, the German-speaking region, which at that time had only 8,000 Italians, was ruled from Imperial Vienna.

After 1919, Sud Tyrol was annexed to Italy, which tried to populate it with southern Italians. Today, over 70 per cent of its 440,000 inhabitants are German-speaking.

Yet despite economic prosperity, coupled with Rome's decision to extend autonomy to language, newspapers, schools and courts, the Sud Tyroleans never quite got used to the idea of Italian rule. Nor did they like the idea of paying their taxes to Rome.

Above all, the Sud Tyroleans resented Rome's refusal to allow their autonomy to be *guaranteed* internationally. That, at least, was what agreed in 1946 between Vienna and Rome on the understanding that Sud Tyrol would not claim the right to self-determination if its autonomy was internationally recognised.

Italy saw the issue as a purely bilateral affair, Austria said it would be the protective power of Sud Tyrol in every respect, while the Sud Tyroleans flung bombs at Italian targets in the 1960s to press home their case.

That made Rome sit up. Under an agreement reached with Vienna in 1972, and to be implemented by 1974, more autonomy was extended. Barring the recognition that its *autonomy would be internationally recognised*, Rome yesterday made further concessions.

A peaceful outcome might well disabuse the pessimists that ethnicity, nationalism and autonomy does not necessarily lead to bloodshed, or the violent break-up of states.

Danish import tax under fire in European Court

By Hilary Barnes in Copenhagen

A DANISH import and production tax on companies was illegal under European Community law, according to the advocate-general of the European Court.

In an opinion delivered yesterday in Luxembourg, the advocate-general said the tax conflicted with the EC's sixth value-added tax directive, which forbids new taxes levied on a VAT basis.

The tax was introduced in 1987 after the conclusion of a particularly expensive collective wage round. The government scrapped the employers' social security contribution, levied on the basis of the company's wage bill, and introduced in its place a tax levied on the company's total import bill and on value added in production for the domestic market. The tax, which did not apply to export sales, was levied at 2.5 per cent.

Import companies brought the case against the government, claiming that the tax was discriminatory and in conflict with the Treaty of Rome. The case was originally taken to a Danish court, which asked the European Court for an opinion.

The tax raised DKr9.4bn ($850m) in 1991 and, over four years, has raised more than DKr30bn, equal to about 40 per cent of last year's revenue from value-added tax.

In November last year, the government, in anticipation of the court's verdict, repealed the tax and instead increased the standard value-added tax from 22 to 25 per cent, with effect from January 1 this year.

It is thought unlikely the European Court will ask the government to repay the taxes. Trade groups representing Danish companies said yesterday they were considering whether or not they would seek reimbursement through the Danish courts, although it is unclear what sums might be involved since much of the tax was passed on to customers through prices.

Mr Henning Dyremose, Danish finance minister, said he still expected that the European Court's final judgment would go in favour of the government, while Mr Thor Pedersen, home affairs minister, said there could be no question of repaying the tax to business claimants.

The advocate-general's opinion is usually followed by the European Court.

Commission may try to raise ceiling on EC revenues

By David Gardner in Brussels

FARM and regional spending will gobble up most of a likely modest increase in EC revenue over the next five years.

The Commission has not yet finalised its 1993-97 finance package, due to be unveiled to the European parliament on February 12.

But already it seems plain that an increase of about two thirds planned for regional development, and rises in farm spending which cannot yet be fixed because of uncertainty over reform of the Common Agricultural Policy (CAP), will absorb at least 60 per cent of the increase.

This leaves little over to finance the bigger foreign aid obligations the EC expects to assume towards eastern Europe and North Africa, and the desire of the Commission president, Mr Jacques Delors, to set up a fund for restructuring, retraining, and research in the car, defence, electronics and textiles industries.

Officials expect the Commission to try to raise EC revenue to 1.35 per cent of Community gross national product by 1997, from its ceiling of 1.2 per cent now.

This year's budget of Ecu66bn ($84bn) is below the current ceiling, at 1.14 per cent of GNP, so that the 1997 budget would be Ecu86bn at current prices, assuming annual EC growth of 2.5 per cent.

Several officials now believe a bigger increase would be resisted by the current net contributors to the EC budget: Germany – by far the largest – the UK and France.

Germany, moreover, "is not going to commit itself until it knows what's happening on farm spending," a senior Commission official said. He added that "if we stay within 1.35 (per cent), there will be limits; we will have to choose among our options."

Regional spending looks set *to rise from Ecu17.7bn this* year to Ecu29bn in 1997, at 1992 prices. This would include a new "cohesion fund" worth up to Ecu2.5bn to help Spain, Portugal, Ireland and Greece meet EC environmental standards and put in cross-border transport links.

The Commission's original costing of its CAP reform plans would raise farm spending from Ecu35.3bn this year to Ecu38.6bn in 1997.

Both figures look optimistic. But reform would initially cost even more, with spending reaching close to Ecu40bn in 1996, and it is unlikely that it can be financed without bigger allocations.

Spending on what would become a separate budget category for foreign policy would get priority, *but still* remain modest, rising from less than Ecu3bn to just over Ecu5bn at current prices.

The Commission has not agreed on Mr Delors' so far undocumented plan to regroup spending on research and unemployment into a fund to raise competitiveness in the face of industrial restructuring in the 1990s.

The two core ideas are: that research spending should be brought closer to the market, able to respond to innovation in industry; and that the part of Social Fund spending on long-term unemployment which is not tied to regions could be used to intervene to prevent job losses through retraining in the four targeted industries.

Mr Delors appears to be testing the water before making a formal proposal. The free market camp led by Sir Leon Brittan, the competition commissioner, is concerned the fund might become a cover for state aid to promote industrial "Euro-champions".

Commissioners from the poorer southern countries fear funding would drift northwards – to France in particular – without clear targeting.

Ms Vasso Papandreou, social affairs commissioner in charge of the Social Fund, will support it if it means more jobs and a fair north-south division.

Mr Filippo Maria Pandolfi is said to back the idea and wants research to get 6 per cent of the budget, against less than 4 per cent now. But the tight arithmetic of the budget suggests any new fund would not get more than about Ecu 5bn in 1997.

A scandal too many led coalition partners to pull rug from under Haughey

Luck finally runs out for the great survivor of Irish politics

Tim Coone on the downfall of Ireland's prime minister

"LIKE HIM or loathe him, it was impossible to ignore him. Irish politics will certainly be duller without him as Taoiseach." The 38-year political career of Mr Charles Haughey, 12 of them as leader of his Fianna Fail party and four times elected prime minister, was thus summed up yesterday by one of Mr Haughey's arch opponents, Mr Prionsias de Rossa, the leader of the Worker's Party.

The "great survivor" of the Irish political scene, a self-made man who seemed to thrive on controversy, Mr Haughey finally ran out of luck this week, when a telephone-tapping scandal from nine years ago came back to haunt him.

A former justice minister, Mr Sean Doherty, told an astonished press conference last week, that Mr Haughey had been fully aware that two journalists' telephones had been illegally bugged in an attempt to trace cabinet leaks. Mr Haughey has always denied the allegations. But for the Progressive Democrats, the junior partners in his coalition, the truth of the allegations were no longer relevant. The government's credibility was at stake, and they demanded he resign or face an election.

The incident was the culmination of a succession of scandals in which close associates of Mr Haughey became embroiled in property and share-deals involving state-run companies. Barely a week has gone by since last September, without Mr Haughey having to defend himself against vitriolic opposition attacks in the parliament over his alleged *involvement. At one point*, an opposition deputy described him as "looking like a lawyer defending a poor brief".

Last week the Progressive Democrats decided they had had enough. Backbenchers and ministers in his party were equally nervous at the prospect of an early general election. In the five elections since Mr Haughey became party leader in 1979, an absolute parliamentary majority has eluded him, forcing him into coalitions with which he has never been really comfortable.

Mr Des O'Malley, the Progressive Democrats leader, praised the 1992 budget presented on Wednesday by Mr Bertie Ahern, the finance minister. Mr Ahern is a strong candidate to succeed Mr Haughey, and whether he decides to challenge Mr Albert Reynolds, a former finance minister who is considered the strongest candidate, or to throw his support behind him, the future of the coalition is guaranteed.

Like Mrs Thatcher, with whom Mr Haughey crossed swords in 1985 over the Anglo-Irish agreement (which he described as "a sad day for Irish nationalism), he will not be a comfortable figure on the backbenches. Last year, following intense pressure to resign, he said "growing roses is not the same as a political career".

He was even to adopt Thatcherite economic policies in the late-80s when he regained the premiership, admitting that borrowing and budget deficits "make matters worse". He hands on a financially-sound government. As a pragmatist rather than an ideologue, he even came to accept the Anglo-Irish agreement as the framework for progress *on Northern Ireland.*

Mr Haughey (right) in happier days with Mr Des O'Malley, the Progressive Democrat leader, who last week delivered an ultimatum that the Taoiseach would have to go or face a general election

New violence feared in Yugoslavia

By Laura Silber in Belgrade

FEARS of renewed violence in Yugoslavia mounted yesterday after Mr Marrack Goulding, the United Nations special envoy, said he would not be recommending the deployment of 10,000 UN peace-keeping troops to Croatia.

Mr Goulding, who returned to the US after ending negotiations with Croat, Serb and federal army officials, said differences of interpretation of the UN peace plan continued to block the deployment of the peacekeepers, despite a three-week-old ceasefire. Western diplomats yesterday expressed fears that the ceasefire could break if there was substantial delay in deploying the peace-keeping troops.

While Croatia has some objections to the plan, the strongest opposition comes from leaders of Serb regions in Croatia. Mr Milan Babic, head of the self-proclaimed Serb republic of Krajina, southern Croatia, is refusing to allow the deployment of peacekeepers there, and is calling for the Serb-dominated federal army to remain in Serb-populated regions of Croatia. He says Serb irregulars will not be disarmed unless Croat forces are also disbanded.

The Serb-controlled state presidency, which may now exert considerable pressure on Mr Babic to accept the plan, said yesterday in a statement that "it had drawn up an unspecified programme of activities" to gain backing for the plan from Serb leaders in Croatia. There was "grave responsibility for the consequences which could follow from the refusal to accept the UN peace plan", it added.

'Slow bills' cited by bankrupt Euro Disney sub-contractor

By Alice Rawsthorn in Paris

A CONTINUING row over sub-contractors' claims that Euro Disney has been too slow in paying their bills came to a head yesterday, with one of the claimants filing for bankruptcy. Roiret, a Lyons-based business specialising in electronics and audiovisuals, *alleged* the bankruptcy was precipitated by unpaid bills, notably from Euro Disney which plans to open the Euro Disneyland theme park on April 12.

Roiret's collapse comes only a week after Le Tendre et Sautière, a Saint-Nazaire-based construction company, sued Euro Disney for the FFr10m (£1.02m) it claimed it was owed for its work at the park.

It also follows the formation of a lobby of 16 disgruntled Euro Disney sub-contractors, claiming to represent 300 different companies, to try to extract better terms of payment from the company.

For its part, Euro Disney claims the complaints are unfounded. It issued a statement yesterday denying responsibility for Roiret's problems, adding that it hoped to find an "amicable solution" with its sub-contractors.

The sub-contractors' troubles are linked to the depressed state of the French construction industry, where small and medium-sized companies are finding life particularly tough. Moreover, the French press has seized upon any rumblings of discontent at the theme park with even more than its usual ferocity.

The lobby group has threatened to step up its campaign, possibly by staging demonstrations, unless it reaches an agreement with Euro Disney by the middle of next month.

Machinery and plant orders rise in west Germany

ORDERS for west German plant and machinery rose last month for the first time in a year, the VDMA manufacturers' association said yesterday. Export demand was 3 per cent higher and German orders were 4 per cent up in real terms on December 1990, writes Christopher Parkes in Bonn.

The aggregate 4 per cent rise was one bright spot in a year in which the value of orders fell 8 per cent. However, the VDMA said it was too soon to say if the decline, especially in overseas markets, had stopped. Foreign demand for the year was 17 per cent down in real terms.

Stronger security role urged for CSCE

By Ariane Genillard in Prague

CZECHOSLOVAKIA and Germany yesterday urged foreign ministers at the Prague meeting of the Conference on Security and Co-operation in Europe (CSCE) to strengthen the forum's institutions and allow it to play a more active political mediation and military peace-keeping role in member states.

The Conference, which groups 38 European states, the US, Canada, the Baltic states, and 10 former Soviet republics, has no legal or political powers to enforce agreements.

However, Mr Hans-Dietrich Genscher, Germany's foreign minister, said it was time to expand its role among member states in the field of security, as well as to change the rules of consensus.

"The CSCE should provide for the possibility of creating CSCE 'blue helmets' and CSCE 'green helmet' missions to safeguard peace and the environment," he said.

Officials also discussed the possibility of changing the decision-making process to a consensus minus one. Such a mechanism would also allow members to condemn one member state.

Under the unanimity principle, Yugoslavia has refused the admission as members of Slovenia and Croatia, which were recognised as independent states by the European Community countries, among others, on January 15.

Slovenia and Croatia were instead granted temporary observer status. Officials said that membership would be considered at the Helsinki meeting which is due to take place in mid-July.

Mr Vaclav Havel, the Czechoslovak president, had earlier suggested the creation in the CSCE of a body similar to the Security Council of the United Nations.

This new council would be vested with certain executive powers from members states in the security sphere.

"If the CSCE is to be a guarantor of the inviolability of frontiers, the security of its member states and the protection of their democratic constitutional systems, it must have instruments enabling it to *perform this function," he said.*

The US however, reacted against such proposals. "The most dangerous thing for the CSCE is to launch a series of ideas to which members are not ready to subscribe and which will therefore prove unworkable," a senior US official said.

The extent of the CSCE's role in monitoring peace settlements has been a topic of discussion all summer as senior officials met regularly to issue declarations on the Yugoslav crisis.

A possible new role for the CSCE was further highlighted yesterday after 10 former Soviet republics were admitted as full members.

Some of these republics, such as Armenia and Azerbaijan, have waged a virtual war over the disputed area of Nagorno-Karabakh. Mr Raffi Hovannisian, Armenia's foreign minister, said he would welcome CSCE peacekeeping missions in his republic.

The 10 republics were granted admission yesterday after Russia took over the seat allocated previously to the Soviet Union.

Only Georgia, in the grip of a civil war, did not apply for membership. Admission of the former Soviet republics brings to 48 the number of member states. Concern was voiced that such a large body would become ineffective under the *CSCE's unanimity rule.*

Yeltsin aide warns of serious unrest soon over food price rises

Russian government 'likely to fall'

By John Lloyd in Cambridge, Massachusetts

THE Russian government is likely to fall in the next few months,possibly next month, according to a senior Russian parliamentarian accompanying President Boris Yeltsin on his trip to the US.

Mr Vladimir Lukin, chairman of the parliament's foreign relations committee, told a private audience at Harvard University that "the possibility of the government *falling is quite realistic*".

He was speaking off the record, but later agreed that his speech could be reported.

Mr Lukin said Mr Yeltsin would be able to disassociate himself from the government in spite of being its head – he is prime minister as well as president.

Mr Lukin added: "The most important thing is for the *president to survive.* Where the government has a popularity rating of only 10 per cent, Mr Yeltsin has a rating of around 40 per cent".

He warned of possible serious social disturbances in February and March, when the stocks people held in their refrigerators ran out. The next government, he said, would be composed of people "with their feet on the ground, practical. people".

They would, he said, re-establish price controls on a much wider range of goods than the handful now subsidised, and would give more prominence to rapid privatisation.

"The important thing is to be able to change the personalities while keeping up the reform".

Aides travelling with Mr Lukin said that the Russian parliament would be likely to pass legislation to deprive Mr Yeltsin of the right granted last year to appoint ministers by decree.

Parliament would demand the right of joint control of ministerial appointments.

Mr Lukin, whose memorandum to Mr Yeltsin, advising him to take a tough line towards Ukraine, was leaked last week to the Russian press, called in his speech for a "slowdown" in the disintegration of the former USSR in order to allow the military forces to be properly divided among Russia and Ukraine.

"The Ukrainians made a big mistake – they instigated military officers to take an oath of loyalty to Ukraine. This is very dangerous," he said.

Mr Lukin, in his memorandum, had called for a transfer of the Black Sea Fleet to Russian jurisdiction.

If Ukraine objected, he said, Russia should threaten to reopen the question of control of the Crimea, where the Black Sea fleet has bases.

The Russian parliament is discussing the legality of the transfer, in the 1950s, of the Crimea from Russian jurisdiction to Ukrainian rule.

Shaposhnikov gives assurance on missiles

By David White, Defence Correspondent

TACTICAL nuclear weapons have been withdrawn to Russia from all the other former Soviet republics except Ukraine and Belarus, Marshal Yevgeny Shaposhnikov, commander of the joint armed forces, told officials in London yesterday.

The weapons, previously spread throughout the former Soviet Union, have been the principal source of concern *about the possibility* of nuclear arms getting into the wrong hands. About 11,500 tactical nuclear arms are believed to have been deployed with army, air defence and air force units, but Moscow promised last year to destroy a large part of the stockpile.

"They have a programme which they're working to and are determined to keep to," Mr Tom King, British defence secretary, said.

Marshal Shaposhnikov, who was accompanying Mr Boris Yeltsin, the Russian president, told British officials that all the tactical weapons would be in Russian sites by July.

Strategic nuclear weapons are due to be withdrawn from Ukraine by 1994 and from Belarus and Kazakhstan – the other two republics outside Russia where they are based – by 1998.

Britain is to send specialists to Moscow to assess Russia's needs for technical assistance in dismantling its nuclear arms. It will include experts in nuclear safety and accident procedures and representatives of British Nuclear Fuels.

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Philippine group takes over airline

By José Galang in Manila

A CONSORTIUM led by prominent local business groups yesterday won control of Philippine Airlines (PAL), the biggest state company to be auctioned under the government's privatisation programme.

The group, led by AB Capital and Investment Corporation which has links with the Soriano family-controlled Asian, Bank and runs the San Miguel beer and food conglomerate, offered a winning bid of $368m (£206m), including a local-currency cash component equivalent to $150m.

The AB Capital consortium includes Philippine Bank of Commerce, headed by Mr Antonio Cojuangco, president of Philippine Long Distance Telephone and a relative of President Corazon Aquino.

The other partners are International Container Terminal Services, controlled by the Soriano and Razon families; venture-capital firm Hambrecht and Quist, and the Armed Forces of the Philippines Retirement and Separation Benefits System.

The winning group, which expects to take over management of the flag-carrier by March, has contracted Korean Air Lines for two years to provide "general consultancy advice" towards improving operations. Korean Air has no equity in the group.

Others in the bidding were Philippine Commercial International Bank, which had American Airlines as consultant, and another group led by UBP Capital, which had links with British Airways.

AB Capital won 67 per cent of PAL's outstanding capital stock, leaving the government's holdings at 13 per cent.

Two other state institutions, Government Service Insurance System and National Development Company, still have 15 per cent and 5 per cent stakes, respectively. The privatisation plan calls for sale of 5 per cent of the remaining government holdings to PAL employees this year.

Mr Filomeno Francisco, AB Capital's executive vice-president, said his group wanted "to take over as soon as possible" and "restore PAL's position as Asia's premier airline".

PAL which had been incurring losses for the past 10 years, posted unaudited net profits of 1.11bn pesos (£24m), in the April-December period last year, reversing a loss of 1.65bn pesos the year before.

Sources in the winning consortium said a return-on-investment performance of up to 30 per cent within two years of the group's takeover would be possible if certain operating and supply procurement procedures were changed.

Mr Feliciano Belmonte, PAL's incumbent president, said the new group might want to expand operations rather than retrench. Among PAL's assets are unutilised entitlements to certain routes. Of its options of 24 flights on the profitable trans-Pacific route, PAL uses only about half.

Mr Jesus Estanislao, the finance secretary and chairman of the bidding committee, said he was "pleasantly surprised" over the auction results. Last-minute criticism from opposition politicians and from the state Commission on Audit earlier threatened further to delay the privatisation, which had been on the drawing-board since 1987.

World leaders to call for enhanced UN role

By Robert Mauthner, Diplomatic Editor

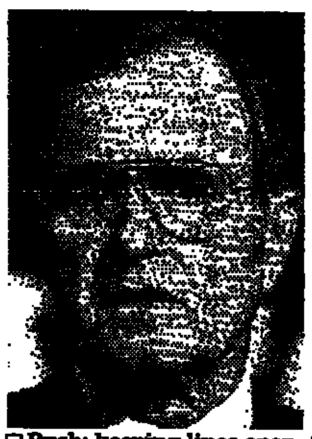
WORLD leaders meeting in New York today will call for both a more active peace-making and peace-keeping role for the United Nations and more stringent controls on nuclear and other weapons of mass destruction in a joint declaration proposed by the UK.

Invitations to the first UN Security Council summit were sent out by Mr John Major, the British prime minister, the current president of the Security Council, with the specific purpose of discussing an enhanced role for the world organisation in the post-Cold War era.

The meeting gives the 15 leaders an opportunity to meet and take the measure of Mr Boutros Boutros Ghali of Egypt, the new UN secretary-general.

Most of the Security Council members consider that Mr Boutros Ghali, who assumed his office at the beginning of the year, should be urged to adopt a higher profile on the international stage than has hitherto been the practice for a UN secretary-general.

A draft of the final declaration circulated by the UK presidency asks Mr Boutros Ghali to recommend by May 1 new ways of identifying conflicts



□ Bush: keeping lines open

□ Li Peng: significant meeting

□ Yeltsin: first appearance

before they become unmanageable. It also asks him to propose a programme for restoring the finances of the UN, which has long had its hands tied by the failure of some of the biggest member states, notably the US, to pay their full contributions.

Apart from spelling out new preventive diplomacy and financial proposals, Mr Boutros Ghali is also expected to suggest ways in which the UN could quickly mobilise small military contingents for deployment in trouble spots.

Citing the example of the expulsion of Iraq from Kuwait under the authority of the UN, the declaration is expected to place particular emphasis on the principle of collective security as a means of dealing with future threats to peace and acts of aggression.

It will also reiterate the need for member states to carry out their obligations under existing arms control agreements, to bring negotiations on chemical weapons to a rapid conclusion and to strengthen nuclear non-proliferation arrangements.

Equally as important as the summit itself will be bilateral meetings which the leaders will hold on the sidelines today and tomorrow. Those to be held by US President George Bush with Mr Boris Yeltsin, the Russian leader, who will be making his first appearance at the UN, and Li Peng, the Chinese prime minister, promise to be particularly significant.

Mr Bush and Mr Yeltsin, who are due to meet at Camp David tomorrow, are expected to have detailed discussions on their respective proposals for deep cuts in the US and Russian strategic nuclear arsenals. Apart from the proposed cutbacks in the land-based multi-warhead missiles of both sides, the discussions will focus on Mr Yeltsin's proposal that the US and Russia should co-operate on a global system of defence against long-range missiles.

The meeting between Mr Bush and Li Peng today will be the highest-level US-Chinese encounter since the 1989 repression of the pro-democracy movement on Beijing's Tiananmen Square, in which hundreds of demonstrators were killed.

Relations between the two countries have been strained ever since. But Mr Bush has always argued that keeping Washington's lines to Beijing open offered the best hope of influencing the Chinese leaders to introduce democratic reforms.

He has rejected demands by Congress to withdraw most-favoured-nation trade treatment for China.

North Korea to allow inspection of nuclear facilities

NORTH KOREA signed a long-awaited agreement yesterday to allow international inspection of its secret nuclear facilities, Reuter reports from Vienna.

Under the agreement, signed at the International Atomic Energy Agency (IAEA) in Vienna, North Korea will open all its nuclear sites to IAEA inspectors checking for nuclear weapons development.

South Korea, the US and Japan fear communist North Korea is less than one year away from being able to make its own atomic bomb.

However, Pyongyang denies that it is developing nuclear weapons.

"To create the openness that is necessary for confidence, regionally and globally, these safeguards must be effective and comprehensive," Mr Hans Blix, the IAEA director general, said at the signing ceremony with Hong Gun Pyo, North Korea's deputy nuclear energy minister.

North Korea signed the IAEA's Nuclear Non-Proliferation Treaty in 1985. The treaty requires all signatories to negotiate and sign a further safeguards pact to open their plants to inspection.

However, Pyongyang has balked at signing the inspection agreement for years, claiming it felt threatened by US nuclear weapons in South Korea.

On New Year's Eve, both Koreas signed an outline agreement banning nuclear weapons from the peninsula – a few weeks after signing a non-aggression and reconciliation accord.

Both the nuclear and non-aggression pacts are due to take effect when the two countries' prime ministers meet for a sixth round of talks in Pyongyang from February 19 to 21.

The nuclear agreement binds the two states, still formally at war 39 years after the three-year Korean War ended, to establish a joint nuclear control committee within a month of the treaty going into effect.

However, one US nuclear expert has warned that North Korea might use the theme of Japan's potential nuclear ability to produce nuclear weapons as a pretext to go back on the IAEA agreement.

Paul Leventhal, president of the Nuclear Control Institute, was reported to have told a US congressional panel in mid-January that he understood a Pyongyang official had told IAEA board members that North Korea might not allow inspection unless Japan gave up its programme to reprocess spent nuclear fuel.

After the signing ceremony, Chan Mun Sun, a Foreign Ministry official, said North Korea was still worried by Japan's nuclear programme.

"Japan is in possession of large quantities of nuclear material, exceeding the purposes of peaceful use of nuclear energy," he said.

He added that North Korea would insist on the complete removal of all US nuclear weapons from the Korean peninsula and its conversion into a nuclear weapon-free zone.

Chan Mun Sun gave no date for when the inspection agreement would enter into force, saying it would take place before the next IAEA board meeting on February 24.

Japan premier announces review on defence cuts

JAPAN is considering cuts in its defence forces, in response to the end of the Cold War and the reductions in US and former Soviet military forces, Mr Kiichi Miyazawa, the prime minister, announced to the Diet late this week, Stefan Wagstyl writes from Tokyo.

He said the Defence Agency had started a review of personnel and hardware, which could lead to cuts in the mid-1990s.

Japan has already reduced planned increases in defence spending by delaying the introduction of new weapons and other measures.

The government is proposing to raise defence spending in the financial year starting in April by just 3.8 per cent – the lowest increase in over 30 years.

However, Mr Miyazawa, regarded as a dove in the ruling Liberal Democratic Party, has often indicated that he would like Japan to respond more clearly to the end of the Cold War.

He said in a policy speech at the opening of the Diet last week that the current 1991-95 defence programme had been decided in late 1990, but that even since then there had been major changes in the international situation, including the dissolution of the Soviet Union.

On Tuesday, he said the review, the first to be carried out since Japan began a defence build-up in 1976, and stated for 1993, had already started. It will include regulations covering the size of the defence forces.

The 1976 regulations specify that the army should have around 180,000 troops, the navy 60 anti-submarine ships and 16 submarines and the air force about 430 aircraft.

The government is proposing to raise defence spending in the financial year starting in April by just 3.8 per cent – the lowest increase in more than 30 years.

Mr Koichi Kato, the chief cabinet secretary, said the aim of the review would be a reduction of the stipulated manpower levels.

For the army, or Ground Self Defence Force, a cut in the stipulated level may have little effect since, due to recruitment difficulties, it can now muster only about 153,000 troops.

Nevertheless, to consider cuts is a significant step for the Defence Agency which has until recently been supervising a build-up in Japan's defence forces.

Any cuts are likely to be preceded by long arguments between the services, government ministries and politicians.

The timing of Mr Miyazawa's announcement has itself as much to do with domestic Japanese politics as with the end of the Cold War. He needs the support of the centrist Komei party to smooth the passage of the budget bill through the Diet.

Komei has demanded defence spending cuts. Mr Miyazawa's offer of a long-term review of spending is being seen in Tokyo as a peace offering to Komei.

NEWS IN BRIEF

South Africa moves to improve black education

South Africa's main industries and political, community and education organisations launched a multi-million dollar drive yesterday to improve the quality of the country's crisis-ridden black education, Reuter reports from Johannesburg.

Signatories of the R500m (£106m) trust fund said it was founded following concern among certain industries about the education crisis and the widening gap between schooling and requirements of the workplace.

The state is estimated to spend five times more on each white child than on each black.

Trustees will meet at the end of February to develop criteria for allocating funds to community organisations.

Signatories include Mr Nelson Mandela's African National Congress, the Inkatha Freedom Party, various banks, Barlow Rand Ltd, Anglo American, Caltex and Allied Electronics Corp Ltd.

Habash treatment condemned

The surprise admission of radical Palestinian leader George Habash to France for medical treatment after suffering a stroke sparked opposition condemnation and media questions yesterday, Reuter reports from Paris.

Mr Habash, 64, whose Popular Front for the Liberation of Palestine (PFLP) pioneered aircraft hijacking, was flown from Tunis to Paris by the French Red Cross late on Wednesday.

Partially paralysed, he was undergoing tests for possible brain surgery at Henry-Dunant Hospital.

Foreign Ministry spokesman Daniel Bernard said he was admitted at the request of the Red Cross on purely humanitarian grounds.

Taiwan approves cable television

Taiwan's cabinet yesterday approved a proposed bill to legalise cable television that would break the government's television monopoly on the island, AP-DJ reports from Taipei.

Cable television operators said, however, the proposal has so many restrictions that it fails to open up the market to free competition.

World Bank asks western donors to support Sri Lanka

By Mervyn de Silva in Colombo

THE World Bank has asked the "Aid Sri Lanka" group of western donors to pledge $880m (£475m) – $830m for projects and the rest for balance of payments support – when they meet in Paris next week.

Last year Sri Lanka received an all-time high of $1bn.

The World Bank has told the government it must limit the budget deficit to 8 per cent of gross national product; "commercialise" three state-owned banks, and the tea and rubber plantations run by two state corporations; devalue the Sri Lanka rupee; reform labour laws to facilitate retrenchment; introduce higher interest rates; and impose a stricter monetary policy.

A US delegation led by Senator Larry Pressler recently spoke of Sri Lanka as "a fine example of how to use development aid" and commended the trend towards "privatisation and free market economies".

The US has pledged $55m and 20 per cent of the World Bank support.

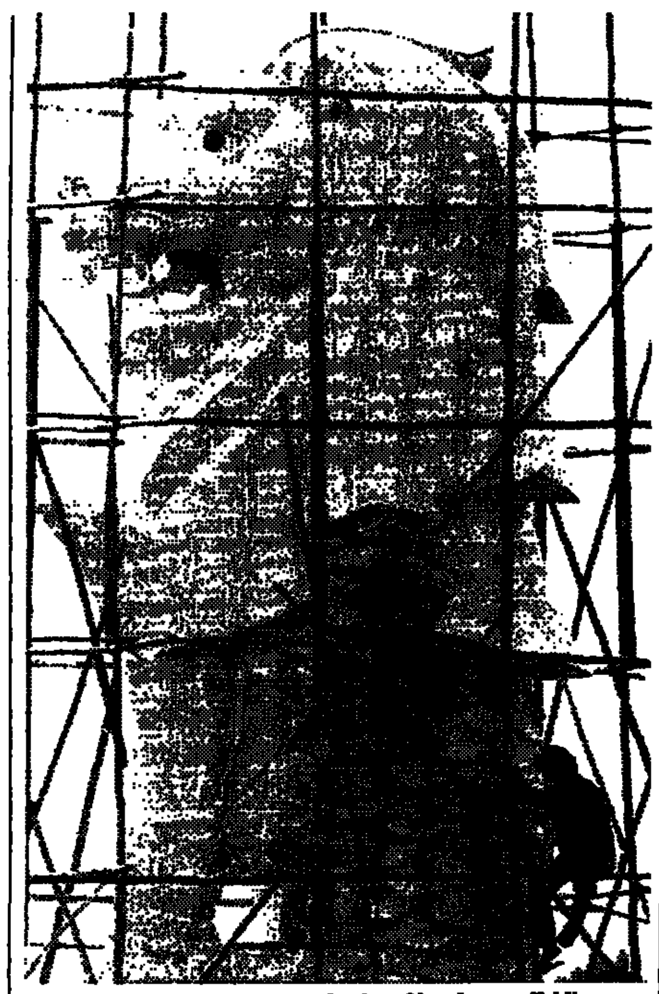
However, some EC countries and Canada are critical of the government's failure to negotiate a settlement of the 15-year-old Tamil separatist insurgency in the north and east.

A parliamentary delegation from Canada, one of the leading critics of the government's human rights record, offered to mediate. But the offer was rejected, largely because President Ranasinghe Premadasa has come under furious attack from majority Sinhala groups openly backed by the Buddhist clergy.

A "new-right" Sinhala Defence League (SAS) has been launched by a former general secretary of the ruling United National Party, who resigned over the India-Sri Lanka "peace accord".

The SAS insists that the Tamil "tigers" should be militarily defeated before any concessions are made. The policy has been taken up by a new party formed by three former ministers who were sacked when their plan to impeach Mr Premadasa collapsed.

While the donors and the World Bank are worried that defence spending exceeds 5 per cent of GDP, a western ambassador said the opposition made the president look "moderate and sensible".



Workmen yesterday perch on a lattice of bamboo scaffolding caging the Merlion, the heraldic symbol of Singapore. The giant statue was being given a fresh coat of paint.

Algeria's new rulers take the offensive

BULLDOZERS and builders are to move into Algeria's teeming slums in an offensive against misery and Islamic fundamentalism, Reuter reports from Algiers.

Algeria's new rulers announced a crash programme aimed both at pushing aside the Islamic Salvation Front (FIS), their main opponents, and attracting support from ordinary Algerians.

The interior minister, Mr Larbi Belkheir, unveiled the programme on Wednesday evening after an emergency meeting of officials from all 48 provinces.

"The absence of the state in the last three years brought a situation of anarchy essentially due to negligence... towards the worries of some citizens and the application of the laws," the Algerian news agency quoted him as saying.

The FIS, denied victory at the polls by the halting of Algeria's general election this month, has built up a strong following among the poor – particularly the young.

This week it appealed for money to help the homeless. The authorities promptly ruled the move illegal.

Israel embarrassed by corruption probe into how it spends US aid

Allegations of the siphoning off of millions of dollars are not helping Jerusalem's quest for loan guarantees, writes Hugh Carnegy

AS ISRAEL seeks to persuade the US to provide it with $10bn in loan guarantees to buoy an immigration-burdened economy, US investigations into corruption associated with US defence assistance to Israel are turning an embarrassing spotlight on how Israel spends its annual $1.8bn in military aid from the US.

"We think the US taxpayer has been getting screwed," is the blunt assessment of one American acquainted with the investigations.

Among the allegations recently repeated in the Israeli press – eliciting strong denials from the Israeli Government – is that some misappropriated money was used to fund espionage in the US.

The chief object of concern is Israel's military procurement programme which spends the bulk of the annual US military grant aid on buying arms, equipment and supplies from US companies.

Both the US government, through the justice department, and Congress, through the House energy and commerce committee headed by Democratic Congressman John Dingle, are gathering evidence of a complex network of corruption involving the siphoning off of millions of dollars of aid stretching back more than five years.

The issue first came to public light in late 1990 when General Rami Dotan, a former head of Israeli Air Force procurement, was arrested and convicted of skimming $12m from IAF purchasing programmes through bribes, falsified contract values and links to "front" companies to which he directed contracts.

Last Sunday, Colonel Yitzhak Sa'ar, a former IAF quartermaster, pleaded not guilty to charges of conspiring with Gen Dotan between 1987 and 1990 to award contracts to companies in return for $3m.

According to Israeli prosecution documents, in one $250m deal in 1986 to buy engines for IAF F-16 fighters from General Electric, Gen Dotan used a secret association with a US consultant advising GE to persuade GE to place an engine-testing contract with an Israeli company run by another associate of Gen Dotan's which owned only an empty warehouse at the time. The deal allegedly netted the conspirators more than $7m.

Investigators working for the Dingle committee believe that the extent of corruption extended well beyond that revealed in Israel's prosecution of the Dotan case.

Much of their attention has focused on Israel's military procurement mission in New York and suspicions that malpractice among its employees has become endemic over the years. On Sunday three Israelis were charged in a Tel Aviv court with running a bribery operation connected to the procurement office.

Israeli prosecutors allege a $7m rake-off during a deal to buy F-16 engines in 1986

Mr David Felder and Mr Mordechai Markovitz, both former employees in the mission who left in 1985 to set up a military marketing company called Rotair, were charged with illegally obtaining information from Mr Ya'acov Meringer, a procurement mission officer, about contract bidding.

US investigators are also probing a number of US companies – notably GE and Pratt and Whitney – to discover to what extent their officers were aware of, or involved in, the corruption. "There was knowledge of this going up to some level, but how high we don't know," said one.

Investigators suspect that the corruption network may have been used by Israeli intelligence bodies operating in the US to fund covert operations there, but no firm evidence has yet been produced.

Mr Moshe Arens, the Israeli defence minister, stated flatly this month that Israel did not spy on the US – at least not since the uncovering of US naval officer Jonathan Pollard, who was caught supplying secret documents to Israel in 1985.

Even without that added complication, the corruption scandals have become an embarrassment for Israel. The defence establishment's blushes were deepened last month when, on top of the procurement scams, it was disclosed that the Israeli head of a US-funded programme to produce an "Arrow" ballistic missile interceptor had been sacked for doing private defence sector consultancy work contrary to his contract terms with Israel Aircraft Industries.

Clearly, revelations of serious malpractice in the use of US financial assistance could have a damaging effect on Israel's case for continued US defence and civilian aid worth $3bn a year and its request for loan guarantees.

But an overriding concern is the damage done domestically to the military's hitherto cherished reputation for honesty and integrity.

"That is what has shaken the military establishment," says Mr Dore Gold, a senior staffer at Tel Aviv University's Jaffee Centre for Strategic Studies.

Mr Arens is balking at allowing US investigators free access to pursue their inquiries in Israel, as the Dingle committee is seeking. But he told the Knesset foreign affairs and defence committee this week that the country could not live with corruption in the defence system. He said he was studying recommendations made by two internal investigations on how to stop such things happening.

A senior opposition MP, Mr Rafi Edri of the Labour Party, has been pressing in the Knesset for an overhaul of the whole procurement structure, in particular the traditional practice of staffing the New York mission with former military officers augmented by inexperienced Israeli students.

The practice of senior military men proceeding immediately from the armed forces to top jobs in military industries has been well established for years, but transparently prone to corruption. Among Mr Edri's suggestions are for much stricter civilian controls over the procurement system, including the stricture that no-one involved in procurement within the armed forces should be able to work in any procurement role for three years after leaving the military.

"Unless the equivalent of root canal work is carried out in terms of an internal investigating effort, (the scandals) will cast a shadow over Israel in the future," says Mr Gold. But he believes this will be done and does not see lasting damage to Israel's intimate military relationship with the US.

US investigators insist that they have no political motive to that end – as some in Israel have suggested. From their point of view the main lesson may turn out to be the inadequate control the US government has exerted over its Israeli aid programme. Unlike other countries, Israel gets its aid up front and is largely free to spend it as it sees fit, beyond strictures on the amount that must be spent in the US.

"There is no doubt the initial finding is the US government's lack of oversight over the money we give to Israel. Its a joke," declared one congressional official.

AMERICAN NEWS

Bank reform bill set for US Congress soon

By George Graham in Washington

THE Bush administration plans to submit new banking reform legislation to Congress in the next few days, but faces a lukewarm reception – even from members who supported its efforts to pass a banking bill last year.

The new bill will include measures to allow banks to open branches outside their home states, enter the securities business (from which they are excluded by the Glass-Steagall Act), and be bought by commercial companies.

The administration is backing its push for legislation by new projections suggesting that bank reform could save the US taxpayer more than $16bn over the next six years, through strengthening the banking industry and reducing the number of failed banks needing to be bailed out by the Federal Deposit Insurance Corporation (FDIC).

The projections strike a new note of pessimism over the outlook for the FDIC's bank insurance fund. Without reform, the administration is budgeting for the fund's deficit to soar from $2bn this year to a peak of $39bn in 1996.

Reform could limit this peak deficit to $28bn in 1995, administration officials said, just inside the $30bn borrowing limit Congress fixed last year for the FDIC.

"It's unclear whether the banking industry could bear the full cost of borrowing beyond $30bn; it's certainly clear that taxpayer exposure would increase," a senior administration official warned.

He said reforms, especially inter-state branching, would enable banks to raise capital more easily, so enabling more border-line banks to survive and raising the value of the failed banks the FDIC has had to take over and sell.

In Congress, however, even the supporters of banking reform believe it will be near-impossible to pass legislation this year, so soon after an abortive attempt last year and so close to the presidential and congressional elections in November.

Last November, the administration's backers ended up trying to kill the banking bill they had sponsored because its tortuous passage through Congress had turned it into a draft that, far from liberating the banks, would have rolled back many of the powers they have acquired piecemeal in recent years.

This time, the White House's supporters fear they would have to fight the same rearguard action over again.

They may not have to worry, however, for opponents of further banking reform have already begun to challenge the administration's projections for cost savings. The bill itself is thought to have little chance of emerging from congressional committees.

Amnesty accuses Cuba

Amnesty International yesterday accused Cuba of threatening to increase executions of political opponents and urged the government to abandon the death penalty, Reuter reports from London.

"Over the last few weeks senior members of the [Cuban] government have been suggesting that they may execute people they consider 'counter-revolutionaries'," the human rights group said in a statement.

One man had already been executed by firing squad this year after being found guilty of planning to carry out acts of terrorism and sabotage, it said. The man was believed to have been executed on January 20, just 23 days after his arrest. The case was "rushed through a legal system that makes scant provision for adequate defence or impartial review of appeals", the group said.

It said Vice-President Raul Castro had threatened to bring back revolutionary courts, which sent scores to firing squads after the revolution.

Honduran forestry deal runs into opposition

By Ian Walker in Tegucigalpa

A CONTROVERSIAL forestry agreement, signed last September by Honduras and the Chicago-based paper company Stone Container Corporation, is in trouble following a wave of protest.

The agreement was to have been ratified by the Honduran Congress today, but the protests, from environmentalists and others, have caused worries in the ruling National Party.

A supplementary agreement designed to answer protesters' concerns is under discussion, but is unlikely to go to Congress before March.

Stone is expected to launch today a belated publicity campaign to try to win support from sceptical Hondurans.

The agreement, still officially secret but widely leaked, involves a 40-year concession to exploit between 125,000 and 1.6m hectares of pine forest in the Mosquitia region of the undeveloped east for woodchip production. This would supply Stone's US paper mills. It also contemplates construction of a pulp mill in Honduras.

The government hopes the deal will generate $2m a year in export revenues and up to 3,000 local jobs. The state-owned land is to be ceded rent-free, with infrastructure provided. In return, Stone will supply technical assistance to the government on sustainable forest exploitation and pay normal logging fees.

Environmentalists are concerned that clear-cutting on the fragile hill slopes will cause soil erosion and river silting, and that the possible development of related paper production industries could bring chemical pollution, undermining the potential of Mosquitia for ecotourism.

The deal represents a shift away from Honduran forestry policy of privatising state sawmills and and promoting sustainable exploitation through fiscal incentives to private operators.

Other legislation before Congress would scrap a requirement for 51 per cent local participation in forest exploitation.

Democrats irked by Bush's tax cuts deadline

DEMOCRATIC party leaders yesterday bristled at the March 20 deadline by which President George Bush has challenged them to pass his package of tax cuts, reports George Graham.

"I think the president's decision to set an artificial deadline will not be helpful. He's demanding that Congress approve, in 50 days, a proposal he's been working on for 90 days, and he's still fine-tuning it," complained Senator Lloyd Bentsen, chairman of the Senate Finance Committee.

But Mr Bush's Republican supporters were enthusiastic about the prospects of using the momentum from the President's State of the Union address on Tuesday evening to meet the deadline.

While Democrats complain that March 20 is simply too soon to work through all the legislation Mr Bush has proposed, some Republicans are threatening to obstruct congressional business unless they receive a commitment that the whole package will be put to a vote by then.

Mr Newt Gingrich, minority whip and leader of the Republicans' right wing in the House of Representatives, has threatened to block the 10-day recess Congress traditionally takes in February, at the time of the national holidays commemorating the birthdays of George Washington and Abraham Lincoln.

Republican party officials hope that, if the economic growth package fails to pass by March 20, Mr Bush will be able to lift his re-election campaign by attacking "do-nothing" Democratic legislators.

A political organisation run by Mr Gingrich is aiming to raise $17m to help Republican challengers in 170 Democratic congressional districts it regards as winnable, hoping for a congressional majority.

Some political analysts warn, however, that this electoral strategy could backfire on Mr Bush, who may find it hard to shift the onus for action away from the presidency and on to the Congress.

The legislation the Democratic-controlled Congress sends to him for signature may be substantially different from the package Mr Bush has proposed: he would then face the dilemma of accepting measures unpalatable to his Republican supporters, or using his veto, and risk being blamed for obstructing efforts to do something about the recession.

Lloyd Bentsen (left) and Newt Gingrich: Bridling at and creating pressures in Congress

Brazil's turnaround is all in the mind

Inflation is not down, but everyone is behaving as if it was, writes **Christina Lamb**

FOR A MAN who eschews magic solutions, Mr Marcílio Marques Moreira, Brazil's economy minister, has performed a great conjuring trick. Without actually reducing inflation, he has convinced an important part of the sceptical Brazilian public that the all is under control.

So much so that an estimated $3bn has entered Brazil in the last six weeks – much of it returning flight capital – and for the first time ever the black market dollar exchange rate is below the official rate.

To cap Mr Moreira's success, the International Monetary Fund on Wednesday night at last put the seal of approval on his adjustment programme with a $2.1bn standby facility, paving the way for accords with Brazil's creditors.

The same analysts who were predicting imminent hyperinflation just three months ago when foreign exchange reserves had dropped to critical levels, now say Brazil is poised for a take-off surpassing that of Mexico, Latin America's superstar.

They point out that last year, despite the absence of a Brady debt reduction plan or IMF accord, $11.6bn in foreign capital entered Brazil – double that of 1990. So much money has been flooding into the stock market this year that it has already risen 60.8 per cent in dollar terms.

But the question mark over the world's ninth-largest economy is still large. For Brazil's monthly inflation remains around 25 per cent and Mr Moreira's only weapons in play are a widespread confidence in his abilities and tight monetary policy which is crippling industry and causing mass dismissals.

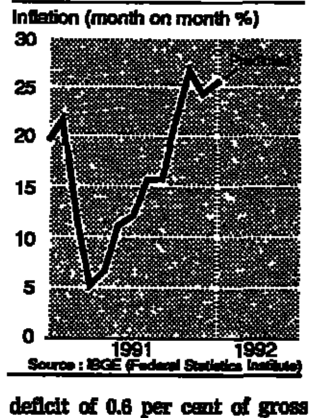
Moreover the volume of money entering Brazil is due less to confidence in the economy than to its undervalued shares and high interest rates.

It is far from certain that the mild-mannered Mr Moreira will succeed in his attempt to follow the lead of other Latin American countries to move to an economy based on free trade, competition, and a reduced state. While rejoicing over the IMF deal he admitted yesterday that the hard work is still to come: "We have had almost no significant growth for 12 years. What is important now is tight monetary and fiscal control if we are to avoid losing another year."

One of the biggest uncertainties is political feasibility. President Fernando Collor must convert an operating budget deficit of 0.6 per cent of gross domestic product (before debt interest payments) into a 2.4 per cent surplus by the end of 1993. To do this, he requires constitutional changes which will mean confronting traditional politicians who jealously guard their sources of state patronage.

Brazil

Inflation (month on month %)



Source: IBGE (Federal Statistics Institute)

He must also cow the country's powerful cartels and oligopolies which have grown fat from protectionism and bleeding the state.

On first taking office in March 1990, Mr Collor thought his 35m votes gave him the power to take on all these interests. Instead he found himself blocked on all fronts and unable to muster the 252 votes in Congress which would constitute a majority. Two weeks ago he suffered the ultimate humiliation when even the government bloc voted against him on important pensions legislation.

Mr Collor's stance had been valiant but counter-productive in a country where nothing is achieved without deals. Left with few options last week he sacked four ministers and appointed traditional politicians from the PFL, a centre-right party, aiming to increase his political base.

He now has 125 votes in Congress but, what is more important, retains the backing of the godfathers of Brazilian politics – Mr Antônio Carlos Magalhães (known as ACM), governor of Bahia and communications minister in the last government, and Mr Roberto Marinho, head of the Globo media empire. To seal the deal ACM's son was appointed whip.

Unable to work outside the system, Mr Collor appears now to have decided he has to operate within it.

There is no firm evidence that the inflation rate or the rate of growth of the money supply is coming down. Moreover the IMF programme carries some inflationary pressures, such as a commitment to a 15 per cent real rise in public sector tariffs, as well as a heavy social cost. Brazil is already in its worst recession for a decade with the unemployment rate in São Paulo now 10.5 per cent.

The big unknown on which all hangs is the Brazilian psyche. If enough people start to doubt the success of the programme and inflation heats up then business will push up prices, as happened last October, fearing a new price freeze and provoking further inflation. Mr Moreira has turned such a situation around once – he may not be able to repeat the trick.

WORLD TRADE NEWS

North American free trade talks enter top gear

By Nancy Dunne in Washington and Damian Fraser in Mexico City

NEGOTIATIONS on the North American Free Trade Agreement (Nafta), linking the US, Canada and Mexico, are moving at a rapid pace, but President Bush's brief reference to the talks in his State of the Union message sent a signal to political observers that he is still keeping his options open.

In an effort to secure a draft agreement before the end of the month, trade negotiators from the three countries have planned an almost non-stop series of meetings, culminating in a possible head-of-state reunion at the end of February.

On Sunday, Mrs Carla Hills, the US trade representative, will head a delegation to Mexico of congressmen and businessmen, and Mrs Hills will meet with President Carlos Salinas. Next Tuesday, the chief trade negotiators will meet in Ottawa, Canada; and next weekend the three trade ministers will meet in Annapolis, Maryland. A further ministerial meeting has been pencilled in for the end of February in Dallas, Texas.

Although the negotiators have remained tight-lipped where differences lie, reports from Mexican newspapers suggest that negotiators have completed 15 draft chapters of the 18 in total.

These 15 chapters include brackets where important differences lie, but the hope is that most, if not all, of the brackets will be removed at the Annapolis meeting.

The negotiators appear not yet to have drawn up drafts on energy, cars and agriculture, reflecting the extreme sensitivity with which these sectors are treated in all three countries. The agreement on the agriculture chapter has been held up by the uncertainty over the Gatt negotiations – although a decision has been reached to draft an agreement on agriculture before the Gatt round concludes.

Cars for the US and the Mexicans are perhaps the most critical sector. They account for 20 per cent of Mexican exports, while support of the US auto makers for Nafta may be essential if the agreement is to pass the US Congress.

Recent reports in the Mexican press suggest energy may have become a sticking point.

This whirlwind of activity received only a passing mention from the President last Tuesday – but the Gatt Uruguay Round received none.

"In our major trade negotiations, I will continue pushing to eliminate tariffs and subsidies that damage America's farmers and workers," he said. "And we'll get more good American jobs within our own hemisphere through the North American Free Trade Agreement, and through the Enterprise for the Americas Initiative." The latter was President Bush's initiative in 1990 to speed economic integration in the Americas, opening up the possibility of a hemispheric free trade zone.

France announces FFr5bn in export credits to Kuwait

By Reuter and Our Foreign Staff

FRANCE is to grant Kuwait FFr5bn (£510m) worth of export credits to boost trade between the two countries, Mr Pierre Bérégovoy, the French finance minister, said yesterday.

Mr Bérégovoy, speaking at the end of a two-day visit to the emirate, said France had agreed to allow the Kuwaitis to set up an investment company in France to help channel more of its money into the French economy.

He gave no further details about the new company. Kuwaiti nationals would be exempt from a French wealth tax to boost private investment in France in a similar concession already granted to Saudi nationals, he said. Mr Bérégovoy said Kuwait had invested FFr8bn in France but that this was not enough.

Hungary short-lists toll motorway tenders

By Andrew Taylor, Construction Correspondent

FRENCH, Italian and Spanish companies are heading five international consortia which have been short-listed to submit bids to build and operate one of the first privately-financed toll motorways in eastern Europe.

The road, which will connect Budapest, the Hungarian capital, to the Austrian and Czechoslovak borders, is expected to cost about £200m after allowing for interest charges and inflation.

A short-list of pre-qualifying bids was published this week by the Hungarian Ministry of Transport, Communication and Water Management. Leaders of the five consortia are BAMEST of Italy, HASA of Spain, and GTM Grands Travaux de Marseille, Transroute International, and Bouygues all of France.

There are no British companies in the consortia which include Austrian, Finnish, Swedish and Danish construction groups.

Britain has little experience of operating privately financed toll roads, while many of the large continental European toll road operators, notably in France and Italy, are either state-owned or have the support of their domestic governments. Hungary last year announced a Forints 330bn (£2.3bn) road construction programme, about half of which is planned as new motorways.

It is hoped that private finance will be raised internationally to build much of the new motorway system which is needed to support the economic development of the country.

The first toll motorway will involve a 43km extension to the Austrian border of the two-lane dual carriageway which connects Budapest with the city of Gyor. The road would provide the last section of a 260km Vienna/Budapest motorway.

A 15km spur to Bratislava, on the Czechoslovakian border, would also be built under the private sector plan.

The Czechoslovakian government has proposed a similar programme of privately financed toll motorways to open up its domestic markets and encourage development.

The Hungarian authorities, which are being advised by Morgan Grenfell, the British merchant bank, have told the five consortia that charges initially should take account of the country's current economic situation. It recommends that tolls should be about half the level of those charged on west European roads.

The concession to operate the motorway would run for a minimum of 15 years or longer, depending upon the nature of the bid.

The government plans to award the concession by the end of this year, allowing construction to start by next spring.

The motorway is expected to be completed by the summer of 1995.

Pact with power to fuel worldwide boom

A Uruguay Round services deal could be key to expansion, writes **Frances Williams**

THE draft agreement on services trade negotiated in the Uruguay Round could be as powerful a force for worldwide economic expansion as the General Agreement on Tariffs and Trade which liberalised trade in goods after the second world war. (The creation of Gatt in 1947 was followed by a 20-year boom in world trade and output.)

The draft "final act" presented last December to the 108 governments taking part in the Round includes a comprehensive services accord extending fair trade rules for the first time to banking, insurance, transport, tourism, construction, telecommunications and professional and personal services.

The deal is a remarkable achievement, given the outright hostility of many developing countries to discussion of services when the global trade talks were launched in 1986. There was also the need to construct a body of coherent rules from scratch to cover services of every variety, sold across borders or within borders and by individuals or multi-billion dollar corporations.

However, the agreement as it stands is only a collection of rules. Still to come are the results of crucial detailed negotiations underway in Geneva on specific commitments by each country to open domestic services markets to foreign suppliers.

For the US in particular, big improvements in market access for American companies are seen as essential to sell the services deal to a reluctant Congress.

The stakes are enormous. International cross-border trade in services is worth between $800bn (£442bn) and $1,000bn, compared with merchandise trade of about $3,500bn. But at least as much business again is done by local affiliates of foreign companies, whose activities would be covered by the services accord. In addition, the agreement includes rules on government regulation of all marketed services, whether provided by domestic companies and firms or foreign ones. Thus it potentially touches total commercial services production of perhaps $12,000bn worldwide, accounting for broadly half of gross domestic product and employment in industrialised countries and a large chunk of those of developing economies.

The agreement has three pillars:

● A framework General Agreement on Trade in Services (Gats) which extends Gatt-type fair trade principles to services. These include national treatment (treating foreign and domestic service-providers equally); transparency (an obligation to provide information on national rules and practices governing services); and most-favoured-nation (MFN) treatment (non-discrimination between trading partners). The Gats, which would have its own council under an umbrella Multilateral Trading Organisation, also sets the ground rules for negotiating services liberalisation.

● Four annexes which elaborate the rules for financial services, where there is a need for prudential regulation to safeguard investors; stipulate unfettered access to countries' basic telecommunications networks (essential to the sale of many services); exempt for the time being aircraft landing rights now negotiated bilaterally under the Chicago Convention; and permit the temporary movement of workers to provide services abroad.

● Country schedules incorporating specific market-opening commitments. These initial commitments, analogous to (but much more complex than) the tariff cuts negotiated by the original signatories to Gatt, will emerge from bilateral bargaining but will be extended to other Gats members on an MFN basis.

Negotiators were having trouble wrapping up the Uruguay Round, the head of the US delegation said, warning of the risk of trade wars if they failed, Reuter reports from Geneva.

"I must admit, we are having our problems in finalising this agreement," the US ambassador, Mr Rufus Yerxa, told the Swiss-American Chamber of Commerce. "If the major players, Japan, the US and Europe, fail to come to grips with the aggressive efforts to protect and advance their own special interests at the expense of others, we are almost certainly going to see trade and investment wars," Mr Yerxa said. But he urged the various parties as well as their constituents at home not to throw out an agreement because it was not perfect in their eyes.

"Europe will have to acknowledge the need to curtail agricultural subsidies," Mr Yerxa said.

But he also recognised the need for the US, which has often taken unilateral trade action, to be committed to multilateral rules. Developing nations should also accept rules in intellectual property, services and investment, he added.

That said, the current negotiations in Geneva are not going well. Some 41 countries (the European Community counting as one), representing more than 90 per cent of world cross-border services trade, have made services offers. But by all accounts they do not add up to much. With a deadline on March 31, when country schedules have to be finalised to meet the Easter target of completing the Round, negotiators are still at first base.

Matters have not been helped by industry pressure on Washington to exempt certain sectors such as maritime transport and basic telecommunications from Gats's MFN rule. Applying MFN, it is argued, would mean freezing US markets open and others' markets shut, making it impossible for the US to take bilateral measures under existing domestic legislation against countries refusing to open their shipping or telecommunications markets. The draft Gats accord does not permit any permanent exclusions.

But signatories can take temporary exemptions from MFN for up to 10 years, subject to review after five.

Apart from shipping and basic telecoms, US negotiators are being urged to exempt one or more financial services from MFN access if country commitments do not come up to scratch. The industry wanted a sectoral non-application clause in Gats, enabling signatories to withdraw benefits in the financial services area alone from a trading partner with an inadequate offer on financial services. But Gats only permits global "non-application" of all services benefits.

In addition, the EC wants a better deal from the US on access for its "universal" banks, now handicapped by domestic US banking legislation.

Developing countries want greater access for their exports of traditional services such as tourism and sophisticated services such as computer programming, film-making and hospital management.

For all the uncertainties, the services accord has become a potent incentive for countries to settle elsewhere in the Uruguay Round. For the EC (including France, the second biggest services exporter after the US), services exports dwarf those of agricultural goods. Even Mr Jacques Delors, EC president, while criticising the Uruguay Round agriculture text, last week invited France to draw the appropriate conclusions.

ABB gains $255m cable contract

By Andrew Baxter

ASEA BROWN BOVERI, the Swiss-Swedish engineering group, is to supply $255m (£140.8m) of equipment for a planned high-voltage direct current link between southern Sweden and northern Germany.

ABB has reached agreement with Baltic Cable, jointly owned by Sydkraft and Preussen Elektra, two Swedish and German utilities, to supply two converter stations and a 250km submarine cable.

The HVDC cable is claimed to be the world's longest and technically most advanced of its kind.

The two converter stations will be built south of Malmo and in the Lubeck area in Germany.

A definitive contract will depend on Baltic Cable receiving permission for building the HVDC link.

● ABB was awarded a DM40m (£13.9m) contract for the modernisation of three 400mw turbine generator units at the Planta Centro Power Station, 200kms west of Caracas.

Nokia secures Japan foothold

Nokia, the Finnish maker of mobile phones, has become the first European manufacturer to secure access to the lucrative Japanese cellular phone market, it announced yesterday, writes Robert Taylor in Stockholm.

This follows conclusion of a co-operation pact with the Nippon Idou Tsushin, a private cellular network operator in the Tokyo and Nagoya areas with an estimated 25 per cent share of the Japanese mobile phone market.

Polish deal for Northern Telecom

Northern Telecom, a UK subsidiary of the Canadian telecommunications and switching systems supplier, has established a joint venture worth $10.6m (£5.8m) with Elwro, one of Poland's largest computer manufacturers, writes Christopher Bobinski in Warsaw.

The new company called Northern Telecom Elwro, will be producing NT's DMS-10 switching systems as well as telephone receivers for the Polish market.

UK NEWS

Export agency plans £496m bad debt provision

By David Dodwell, World Trade Editor

BRITAIN'S Export Credits Guarantee Department (ECGD) had made new provisions against possible bad debt - mainly in the former Soviet Union and Yugoslavia - amounting to £496m.

The new provisions, revealed yesterday with the agency's annual report for the year ending March 31 1991, lift total provisions against sovereign debt in 1990-91 to £7.6bn.

In a separate move yesterday, Mr John Major, Britain's Prime Minister agreed at a meeting with Russian president Boris Yeltsin that the UK would make available £280m in new export credits for Russia and the other republics of the Commonwealth of Independent States (CIS).

The provisions are sharply lower than in 1989-90, when a singular charge of £3.37bn was made as the agency adjusted to a new, and controversial, method of gauging its lending risks.

ECGD staff remain coy on the exact levels of exposure to Yugoslavia and the former Soviet bloc, saying only that it is in the region of £1bn.

The expected exposure is small by comparison to Germany's export credit agency, which has exposure in excess of DM29bn to the former Soviet republics. The new provisions will anger critics who argue that taxpayers should not be asked to fund dubious export business.

However, the comparatively limited exposure will be seen as a vindication of the ECGD's recent adoption of the portfolio management system (PMS), designed to assess the level of risk involved in providing credit cover to different countries.

Exporters have protested at the PMS system, introduced in May last year, because it has raised the cost of obtaining export credit insurance, and put them at a disadvantage to foreign competitors.

Mr Brian Willott, chief executive of the ECGD, admitted yesterday that for Britain's top 20 export markets, ECGD insurance costs were more expensive than rates offered in France, Italy, Germany or the US.

The annual report showed that gross premiums received in the year to March 31 1991 amounted to £180m, down from £188m in the previous year. Claims paid out rose to £968, from £913m, leaving a trading deficit of £846m (previous deficit £3.13bn). Total business insured rose to £16.8bn from £15.7bn.

Licensing agency criticised by 'furious' Nissan UK chief

By John Griffiths

THE Government's Driving Vehicle Licensing Agency (DVLA) was accused by Mr Octav Botnar's Nissan UK yesterday of passing "confidential customer information worth millions of pounds" to Nissan Motor (GB), the Japanese manufacturer's subsidiary which took over the distribution of Nissan vehicles from Nissan UK on January 1.

Mr Octav Botnar, NUK's chairman – was said to be "furious" that the DVLA had sold to Nissan Motor (GB) a list of what he claimed were 700,000 customers who had bought vehicles from Nissan UK in the past six years. While it acknowledged that a list of about 400,000 names had been supplied to Nissan Motor (GB), the DVLA said it had acted within its guidelines.

A spokesman for Nissan Motor (GB) insisted the list had been sought solely to reassure Nissan owners about their entitlement to warranty, following the confrontation which led to Nissan UK being terminated as Nissan's UK distributor at the end of last year.

The company said the data had been returned to the DVLA "and we have no copies".

Companies acquitted in Blue Arrow fraud trial

By John Mason

ALL three corporate defendants in the Blue Arrow fraud trial – County NatWest, NatWest Investment Bank and UBS Phillips & Drew Securities – were acquitted yesterday of joining the alleged conspiracy to mislead the markets about the result of the employment agency's 1987 rights issue.

Instructing the Old Bailey jury to acquit the companies, the judge, Mr Justice McKinnon, ruled there was insufficient evidence for the cases against them to proceed any further. With five of their former employees still on trial, the companies issued only the briefest of statements following the acquittals.

A National Westminster spokesman said only that the parent bank was "pleased" its subsidiary companies had been acquitted. UBS Phillips & Drew welcomed the judge's ruling but said no further comment could be made while the trial against the individual defendants continued.

Mr Justice McKinnon said the companies' acquittals did not affect the cases against the remaining five individual defendants in any way.

The five defendants now left in the trial are: Mr Jonathan Cohen, a former County chief executive; Mr David Reed, a former head of corporate finance at County; Mr Nicholas Wells, a former County corporate finance director; Mr Martin Gibbs, a former head of corporate finance at P&D; and Mr Christopher Stainforth, a former P&D director.

Yesterday's acquittals mark a further setback for the prosecution brought by the Serious Fraud Office. In September last year, the judge directed the acquittals due to lack of evidence of two of the original 10 defendants – Mr Stephen Clark, a County director, and Mr Alan Keat, the City solicitor who advised the investment bank.

The trial, which started on February 11 last year, is already one of the longest in criminal history. With estimates of its total cost exceeding £35m, it is certain to be the most expensive.

Oftel to keep telephone operator on tight rein

By Hugo Dixon and Michiyo Nakamoto

OFTEL, the telecommunications regulator, yesterday promised to maintain firm control over BT's prices as it launched its most comprehensive review of the company since privatisation.

The review, which is unlikely to be completed before the middle of the year, will take place at a time of public debate over whether BT is earning excessive profits.

The debate is expected to be particularly intense because of the general election campaign and Oftel's decision to conduct the review in public.

BT yesterday announced a 4 per cent fall in third quarter pre-tax profits to £759m from a previous £787m under the impact of regulatory and competitive pressures as well as the recession.

Mr Iain Vallance, chairman, countered criticism about BT's profitability, saying it was reasonable. The opposition Labour party, however, claimed profit levels were still excessive.

Sir Bryan Carsberg, Oftel's director-general, said the new price control, which would take effect in August 1993, would "challenge" BT.

Sir Bryan argued that a price cap was preferable to direct control of BT's profits as this gave the company an incentive to cut costs and improve efficiency.

Oftel published two consultative documents – one on BT's prices and the other on capital costs – and invited comments by March 27. After the consultation period, Sir Bryan will try to negotiate a deal with BT. If unsuccessful, he can refer the matter to the Monopolies and Mergers Commission.

The main issues in the review are:

- Should the price cap be tightened or loosened? At present, BT is required to cut the average price of a basket of its main services by 6.25 per cent less than inflation.
- Should BT be allowed to increase line rental charges rapidly? At present, it is prevented from increasing them by more than 2 per cent above inflation but argues that it is losing money on the service.
- Oftel said its investigations suggested there was justification for increasing household rental charges to £100 a year from the current £73.84, but gave no timescale for such a move. Under such a scenario, trunk call charges might be cut by 50 per cent and local call charges might go up by 30 per cent.

Rapid increases in line rental charges would be resisted by many telephone users, for whom the rental charge is a large portion of their bills, and by Labour.

BT shares yesterday closed 4p higher at 329p while the partly paid shares rose by 2p to 119p.

Lex, Page 18
BT Results, Page 25

No respite in sight for the BT monopoly

Charles Leadbeater explores the regulated future which new Oftel proposals outline

Sir Bryan Carsberg, the outgoing director general of Oftel has overseen for nearly eight years a sweeping extension of price controls upon BT, the telecommunications operator privatised in 1984.

When Oftel began, its controls covered services which provided 50 per cent of BT's revenues. It now regulates nearly 70 per cent.

If BT hoped that it would escape some of this regulation in the next few years as competitors enter its market, encouraged by last year's government liberalisation of the telecommunications market, it will be disappointed.

It seems almost certain that as Sir Bryan departs this summer for a new job as director general of the Office of Fair Trading he will leave behind an even more extensive system of regulation.

The case for regulation is undiminished, according to an Oftel consultative document about proposals to renew price controls on BT as from next July which was published yesterday.

BT is likely to retain its overwhelming monopoly in most sectors of the market for the foreseeable future, although it faces growing competition in some areas of business services. Regulation is needed to prevent BT exploiting its power.

The document suggests three possible forms of regulation: a direct limit on BT's profits; continuing the price capping

Sir Bryan Carsberg: likely to leave behind a still more extensive system of regulation

introduced in 1984; and a profit sharing arrangement which would ensure the company shared any unforeseen excess profits with its customers.

Oftel is firmly in favour of maintaining the current price capping formula which limits BT's price increases to an amount less than the retail price index (the so-called RPI-X formula). Oftel insists that the RPI is the most transparent index, as distinct from BT's input prices or a special basket of telecommunications prices.

The main issue to be decided by the review will be the value of X in the formula, which currently limits price increases to RPI -6.25 per cent.

The document says that the cap should continue to cover prices for local, long distance, and international calls, as well as private circuits. Regulation should be extended to cover the rental price of hardwire handsets and might apply to new services such as call forwarding and call barring, it advises.

Oftel seeks views on whether the price controls should cover an overall basket of services or whether individual services such as international calls should have special caps applied to them. It rejects the idea of a one-off reduction in charges.

Sir Bryan recommends that the next price cap should last between four and five years.

The document raises the possibility of linking quality of service targets to the price controls, particularly where the quality of the network as a whole is at issue. Oftel has no statutory powers relating to BT's quality of service, although since 1987 BT has been forced to publish quality of service reports. Oftel suggests that the current compensation scheme is the best way to deal with customer complaints about poor quality.

Sir Bryan will consider whether BT should be required to publish its accounts on a current cost basis.

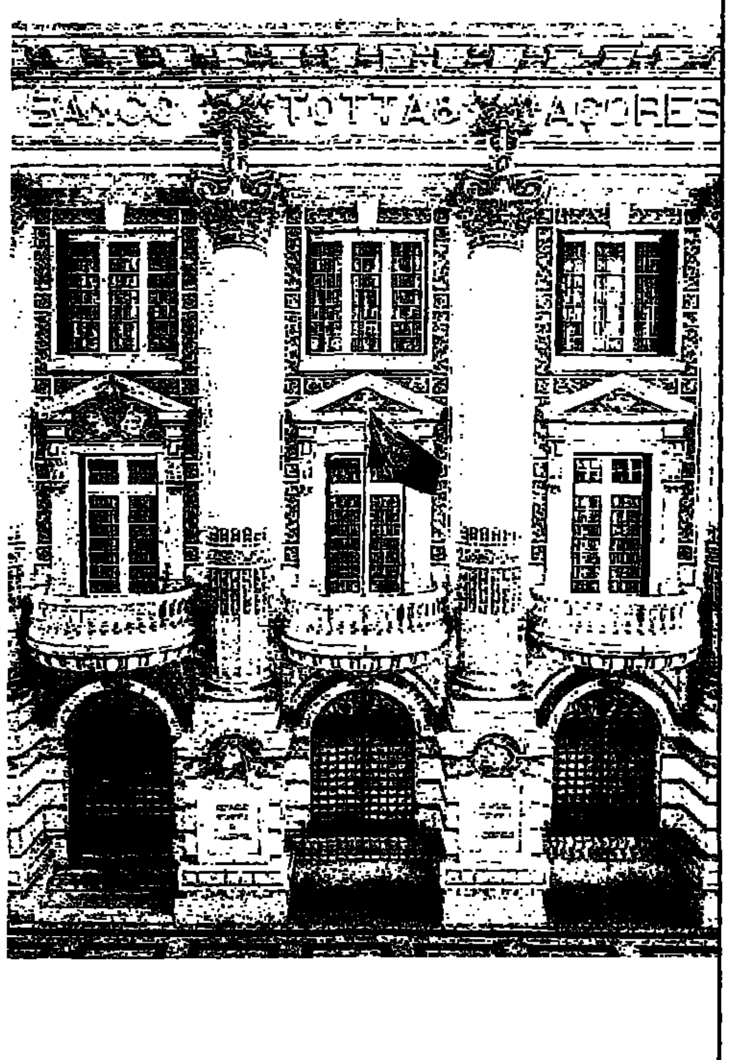
The document casts doubt on the merit of controls on particular costs, such as BT's investment expenditure.

The other main issue to be covered by the review is the flexibility and structure of BT's tariffs.

Oftel favours an extension of the low-user scheme designed to compensate people on low incomes who may be affected by BT's moves to rebalance its prices by raising lines rentals and cutting call charges. It will consider whether this scheme, which covers between 1.5m and 2m customers, should be extended to another group whose telephone bills are significantly below the average.

The review will also examine whether BT should be obliged to provide a recently developed talking terminal service which allows deaf people to use the telephone.

Oftel will seek to negotiate an agreed formula with BT after considering responses. If that fails, the issue will be referred to the Monopolies and Mergers Commission.



Notice of Redemption to the holders of

International Standard Electric Corporation

12% Sinking Fund Bonds Due 1996

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated 15th March, 1954 (the "Indenture"), between International Standard Electric Corporation and Bankers Trust Company, Trustee, that $13,740,000.00 principal amount has been selected by the Trustee for Redemption on 15th March, 1992 and payable on 16th March, 1992 at the principal amount thereof in accordance with the Sinking Fund provided for in Section 3.06 of the Indenture.

The following are the serial numbers of the Bonds which will be redeemed in whole:

(Continued on the following page.)

UK NEWS

Gas import deals show UK looking to Europe

By Deborah Hargreaves

THE UK government opened up its borders to gas trade with the rest of Europe yesterday when it approved two import deals and also announced that it was studying the possibility of a connecting pipeline with the Continent.

Mr Colin Moynihan, energy minister, told the House of Commons: "A market in which gas moves freely across frontiers and competes its way freely to final consumers provides the best assurance for all...of the continued development which will bring the environmental attractions of gas within reach of the widest public."

Mr Moynihan said that six companies will co-operate on a study of the feasibility of building a gas interconnector between the UK and the Continent; a project that is likely to cost between £200m and £300m.

British Gas, British Petroleum, Conoco, Elf, Norsk Hydro and Statoil will complete a study of the project this year.

However, the link is unlikely to be built unless the companies involved perceive a real demand for UK gas in Europe at attractive prices.

Mr Moynihan also sanctioned an import deal agreed between National Power and Statoil, Norway's state-owned oil and gas company, to buy 2.3bn cubic metres of gas a year. In addition, he said that Statoil may import a supply of gas to provide power for one independent electricity generation project.

The approval leaves Statoil free to contribute this gas – approximately 1bn cubic metres a year – to its agreed joint venture with BP and Norsk Hydro. The three companies plan to set up a joint venture company in the UK to sell gas to the industrial market.

Norwegian imports will go some way towards easing supply constraints in the UK market, particularly in gas for supply to power generation. A shortfall in available gas forced up prices last year, making many proposed new power stations uneconomical.

While the Department of Energy has reversed its position on gas imports since it vetoed British Gas' bid to import Norwegian gas in 1985, Mr Moynihan said yesterday that the Department will still require importers to submit individual deals for approval.

Mr Kartina Jay, one of the UK's new independent gas companies, yesterday agreed a deal with National Power to transport gas to a new power station on Humberside. The company won the transit contract in competition with British Gas.

It will provide a pipeline link between a Conoco gas terminal at Theddlethorpe in Lincolnshire to National Power's plant at Killingholme.

Moynihan: supports deals

Lloyd's says talk of losses is pessimistic

By Richard Lapper

THE controversy deepened yesterday between Lloyd's of London and Chatset, the independent analysis company, over the insurance market's results in 1990 and 1991.

On Wednesday Chatset said that Lloyd's was facing a loss of £1bn and £750m respectively for its 1990 and 1991 underwriting years. The final results will be published in June 1993 and June 1994.

A number of Lloyd's underwriters, however, have disputed the projections and yesterday Lloyd's issued its own estimates. These rely on individual forecasts by a group of managing agents representing approximately 40 per cent of the market.

Lloyd's expects the market will register a loss of £390.5m for 1990 and a profit of £424.3m for 1991. These figures exclude investment income, expenses, and the reinsurance that individual underwriters will decide when closing their accounts.

They also exclude the impact of new claims emerging from business underwritten before 1990. Chatset estimates that such claims could cost at least £400m a year, although this figure is disputed by Lloyd's.

Mr David Coleridge, the chairman of Lloyd's, described Chatset's figures as "unnecessarily pessimistic".

● The House of Lords yesterday gave Lloyd's leave to appeal on a preliminary issue in its legal case against 33 Names – the individuals who underwrite the market – who were members of insurance syndicates managed by the Oakeley Vaughan managing agency, now in liquidation.

The Names allege their losses were due to the failure of the Lloyd's Corporation to properly regulate the market.

Major challenged on alleged breach of arms embargo

By Ralph Atkins and Jimmy Burns

BRITAIN'S opposition Labour party yesterday challenged Mr John Major to answer fresh allegations that ministers permitted UK companies to breach the arms embargo against Iraq prior to the invasion of Kuwait in 1990.

The questions, raised by Mr Gerald Kaufman, Labour's foreign affairs spokesman, follow allegations raised in "The death lobby", a book by Mr Kenneth Timmerman, an investigative journalist.

The House of Commons trade and industry committee, meanwhile, is investigating breaches of embargoes imposed during the Iraq-Iran war but may not complete its report in time for the general election.

Last night, the Ministry of Defence accepted, at least in part, another claim in the book, that Iraqi pilots were offered training in the UK. However, the MoD said no weapons training or training in combat techniques had been provided. The Department of Trade and Industry said that it was confident that no equipment approved for export to Iraq in the 1980's was "any danger to UK interests."

GEC-Marconi, one of the companies mentioned in the book, said the allegations were "inaccurate". Another company identified in the book, Racal Electronics, said that some of the companies belonging to the defence group had traded with Iraq in the 1980s. All contracts, however, had been signed with the knowledge of the UK government.

Naval shipyard plans hundreds of job cuts

By Richard Evans

VOSPER THORNYCROFT, the smallest of the UK's four warship yards, is to cut its workforce by several hundred in the next six months as a result of fewer defence orders from the Royal Navy and from overseas.

The cutback from a total workforce of 1,900 at the Southampton yard arises partly from a delay in funding a fourth minehunter to be built for the Saudi Arabian navy, and partly from postponment of the follow-up order for minehunters for the Royal Navy.

The job losses, believed to be about 350, will take place mainly between April and June this year.

Mr Martin Jay, Vosper Thornycroft managing director, said yesterday: "We are obviously very sad to have to make this announcement, but the reduced GRP (glass reinforced plastic) workload forces us to take this step."

The announcement follows several cancelled or delayed orders by defence manufacturers as the tension between the West and the former Soviet bloc has eased.

BRITAIN IN BRIEF

Inspectors attack school standards

The standard of education of more than a quarter of schoolchildren in England is unsatisfactory, according to the government's independent schools watchdog.

In his annual report for 1990-91, Dr Terry Melia, the senior chief inspector of schools, said that 30 per cent of primary school work inspected was less than satisfactory. For secondary school work between 11 and 16, the figure was 27 per cent.

The report is especially critical of persistent underachievement by some schools in disadvantaged inner-city areas. More than a third of the work observed in these was unsatisfactory, and in some inner-city secondary schools, average attendance dropped below 50 per cent in the final year of compulsory schooling.

The report was based on observation of more than 50,000 lessons on visits to 7,000 schools and colleges.

Customs gets drugs rewards

Customs and excise has received £614,000 seized from drug smugglers in its first financial reward for co-operation on international operations to reduce trafficking.

Most of the money comes from activities in conjunction with the US, which allows drug smugglers' assets to be distributed to the agencies involved in catching them. In the UK, the money is passed to the Home Office Seized Assets Fund.

The Customs money will be spent on computer equipment, a drugs telephone line and a boat to patrol the west coast of Scotland. Other money from the fund has been allocated to the police and to drug counselling agencies.

Profit-related pay increases

The number of companies with profit-related pay schemes more than doubled to almost 3,000 last year and the number of individual employees enrolled in schemes jumped to nearly 600,000, according to figures released by the Inland Revenue yesterday.

Profit-related pay schemes, which were introduced in 1987, offer tax relief to employees up to a certain proportion of their salary. The limit was raised to £4,000 in the last budget.

The number of companies with schemes rose to 2,949 in the 12 months to December 31 1991, compared with 1,233 a year earlier. The number of employees covered rose from 263,400 to 581,000 during the same period.

Prince plans design school

The Prince of Wales continued his campaign for the improvement of architectural standards by announcing the establishment of his own architectural school – The Prince of Wales's Institute of Architecture.

The new institute has grown out of two recently held annual Prince of Wales's summer schools in Oxford and Rome, which demonstrated that many students are frustrated with the present system. The school head will be Dr Brian Hanson, the Prince of Wales's architectural secretary.

Electrode plant to close

One of only two plants in the UK producing graphite electrodes for the steel industry is to close with the loss of 230 jobs.

A fall in demand from UK and Continental steel producers and steep increases in UK electricity costs have led to the decision to close the Anglo Great Lakes Corporation plant at Newburn, north east England, according to managing director Mr Jim Munro.

Mr Munro said the plant's American owners, New York based Great Lakes Carbon Corporation, had already tried without success to find alternative markets for products made at Newburn.

Peat deal under attack

A deal to protect areas of peat extraction between English Nature, the conservation organisation, and Fisons, the pharmaceuticals and horticultural company, came under fierce attack from other environmental organisations.

By the agreement, Fisons, which is based in Ipswich, is giving nearly 8000 acres of peatland to English Nature. Of this, 2,800 acres which have planning permission for peat extraction will be managed by English Nature for conservation purposes.

This leaves 5000 acres where Fisons is already extracting peat and will be allowed to continue to do so.

Textile group cuts jobs

Northern Ireland Spinners, the textiles company, is creating 100 new jobs in Ulster in a £2.8m investment programme backed by the Industrial Development Board, it was announced yesterday.

Investment is aimed at increasing the company's competitiveness in principal European markets and will strengthen the company's position as the largest UK spinner of semi-worsted yarns for carpet manufacturers.

Aggregate sales fall by 12%

Sales of aggregates to the UK construction industry fell by 12 per cent last year from 278m tonnes to 244m tonnes. That represented the largest recorded annual decline in sales, according to the British Aggregate Construction Materials Industries (BACMI), the trade federation.

Arms cuts rob defence of electoral appeal

Ralph Atkins and Ivo Dawnay on superpower detente and Tory campaign strategy

TORY election chiefs deliberately held fire during Westminster's pre-election skirmishes yesterday. With the visit of President Boris Yeltsin grabbing the spotlight, press briefings or big speeches were suspended to allow Mr John Major another electorally-priceless stroll on the international stage.

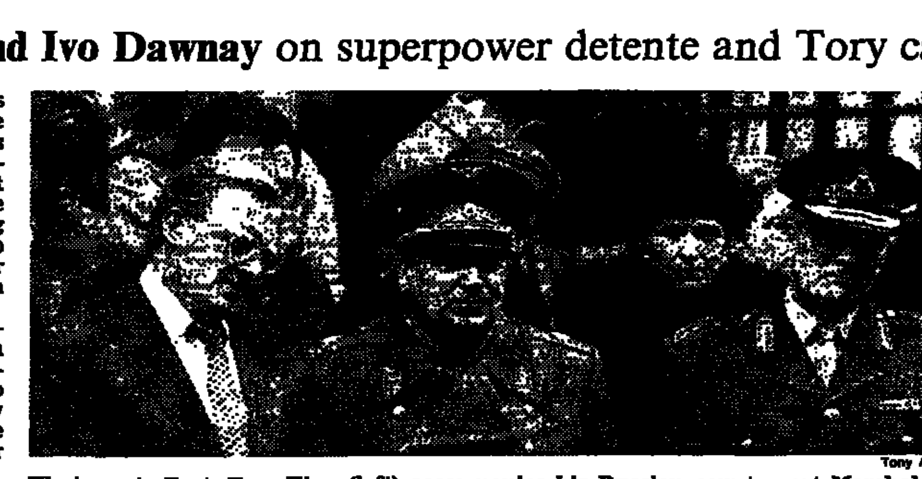
Today, too, the prime minister can continue the show in New York where the happy coincidence of his chairmanship of the United Nations' security council will provide more statesmanlike newsfilm for Conservative campaigners.

But, despite this, Labour believes that, in a small way, the new round of US-Russian arms cutting has knocked some of the impetus from the Tories' persistent efforts to push defence on to the electoral stage.

Less than three weeks ago, Tory campaign chiefs were somewhat hopefully pushing defence as the "follow up" issue to their attack on Labour's tax plans.

Mr Neil Kinnock's now famous remarks on Labour phasing in rises in National Insurance Contributions, made at a dinner with a group of journalists, persuaded Tories to abandon temporarily the defence issue.

Yet, for Labour, defence has become less of a headache than in the party's recent unilateralist past. Party officials claimed yesterday that the end of the Cold War has dropped the issue well below the Top Ten in private polling on voters' concerns.



Tony Andrews

West meets East: Tom King (left) accompanies his Russian counterpart Marshal Shaposhnikov and Sir John Chapple, chief of defence staff (right) outside No 10 yesterday

"The very fact that they were raising it was an indicator that they only have tax and spending, John Major, and defence in their list of "winning" issues," one Labour official said yesterday.

To neutral ears, that argument may have some resonance. However, there also seems little doubt that the defence issue was another useful vehicle to play the strong Tory leadership card. If "Britain Unsafe in Labour's Hands" is the official Tory slogan, its more powerful subtext comes in the leadership question as a whole.

Few have failed to miss that Mr Chris Patten, the Tory chairman, never fluffs an opportunity to compare Mr Neil Kinnock and his foreign affairs spokesman, Mr Gerald Kaufman, as Britain's potential representatives abroad, with Mr Major and the patrician Mr Douglas Hurd.

To this, the Tory election machine adds the equivocation of Labour on whether or not it will cancel a fourth Trident-bearing nuclear submarine and the opposition's reluctance to produce a comprehensive policy paper on defence issues.

If these are the Tory bull points, the rapid acceleration of the disarmament process yesterday seemed to put the Conservatives on the defensive. While nobody would suggest that defence has become a winning issue for Labour, the pace of events has allowed Labour to suggest that Britain is dragging its feet.

In carefully moderated language, Mr Kinnock took up the theme after his meeting with Mr Yeltsin yesterday. While taking care not to carp too loudly, he made clear that Britain should be participating fully in the disarmament process – a message that counterpoints similar language about the UK's "failure" to participate fully in Europe.

In particular, Labour is singling out the government's determination to press ahead with plans to deploy 512 Trident warheads in place of the 192 now in service.

As Mr Martin O'Neill, Labour's defence spokesman, points out: "It goes against the grain of everything that is happening internationally."

In fact, Labour is currently holding its own cards close to its chest. It remains unclear on whether Labour would commission the fourth Trident submarine, deemed essential for credible deterrence by the Tories.

It does argue however that there is a clear case for not deploying *all* the new warheads ordered by the government. Mr Alan Clark, the defence procurement minister, has characterised this standpoint as the equivalent of running a Rolls Royce on a bad engine.

Mr Major also made a point yesterday of emphasising that, with Russia still holding 27,000 nukes, Britain's 500 would not amount to one fifteenth of those it faces in even a decade of cuts.

Yet to some extent ministers are now boxed in by their insistence that what is already planned is the absolute minimum necessary. Any cut in the number of Trident warheads – still not inconceivable, though impossible before an election – would be tacit acceptance of Labour and Liberal Democrat arguments.

On cuts in conventional weapons too, Mr Tom King, the defence secretary, is not invulnerable. His handling of the "options for change" review was regarded even by some Tories as ill-thought out. He was stung also by a leaked internal armed services report earlier this week which strongly criticises interference by ministers in the conduct of Britain's role in the Gulf campaign a year ago.

None of this is going to make defence a key issue at the ballot box. It does inhibit Conservative attempts to raise defence as a election issue. Between them, Mr Major's friends – Presidents George Bush and Boris Yeltsin – have significantly diminished the old Tory adage that defence is one of the best forms of attack.

TECHNOLOGY

Clive Cookson and David White assess the job of dismantling the world's nuclear arsenal

Reversing the operation

The United States and the former Soviet republics are embarking on a nuclear disarmament programme of a scale that no one had imagined possible until a few months ago. It will involve dismantling at least 20,000 warheads, ranging from tactical weapons to multi-megaton hydrogen bombs.

The process of nuclear dismantling remains shrouded in secrecy, for the simple reason that taking apart a weapon is the reverse of putting one together – and no one wants to risk giving useful clues to building an H-bomb.

In the US, UK and France, nuclear weapons are designed with eventual dismantling in mind. The western nuclear powers have been taking apart their old warheads regularly since the 1950s and re-using the materials in more modern ones. For them dismantling is a routine though expensive and time-consuming process, which uses high-technology equipment for remote handling of hazardous materials.

The former Soviet Union, on the other hand, has less experience of nuclear dismantling and recycling. Its stockpile contains ancient warheads from the 1960s and, to make matters more dangerous, the nuclear technicians trained to maintain them are said to be leaving their posts in droves, demoralised by the collapse of the Soviet military system and the fact that no one is paying them a living wage.

John Simpson, a nuclear specialist at Southampton University's Mountbatten Centre for International Studies, says Russian contacts have told him "that some of their weapons were simply not designed to be dismantled. In that case, we have to start virtually from scratch, developing ways to get at the fissile cores".

However the Russians do have some dismantling experience, as Viktor Mikhailov, deputy minister of atomic power and industry, made clear in an article published this month in Moscow. "In fact, our factories are already more occupied with the dismantling of warheads than the production of new ones," he wrote.

Dismantling has to take place in a special cell that is protected with reinforced concrete in case of an accident. There is no risk of a full-scale nuclear explosion but the conventional explosive used to detonate the bomb could conceivably blow up, particularly if the warhead is old and poorly maintained. The containment would then be needed to prevent plutonium – a radioactive and toxic metal – being released into the environment.

In the west, the conventional explosive removed from warheads is normally destroyed by controlled burning. But according to Mikhailov the Russians sometimes use it for making synthetic diamonds; when detonated in a sealed chamber it produces pressures high enough to convert graphite, the humble black form of carbon, into diamond.

According to western estimates, Russia has enough cells to dismantle 1,500 to 2,000 warheads per year. That compares with an estimated 15,000 warheads needing destruction under current Russian plans. In addition there are thousands of old weapons in storage, which are likely to present the most difficult dismantling task.

The Russians will need western help to build up decommissioning facilities if they are to get rid of their weapons at an acceptable rate. "The obvious way to speed up the process is to build more cells," says Simpson. "But there is a Catch 22." Cells built for dismantling could be turned round relatively easily to do the reverse – assembling warheads – if the political climate changes.

Given the potential instability of the former Soviet states, many proliferation specialists believe the west should concentrate its help on ensuring the physical security of all warheads due for elimination, rather than dismantling them. This means moving them to properly guarded central storage in Russia, making the warheads safe and inactivating their detonators.

François Heisbourg, director of International Institute for Strategic Studies, says full-scale dismantling of the warheads would be "worse than leaving them intact" unless foolproof arrangements are in place to safeguard the nuclear materials that come out of the bombs.

The International Atomic Energy Agency, based in Vienna, is keen to expand its existing role of inspecting the world's civilian nuclear plants and start to supervise the plutonium and enriched uranium removed from weapons, making sure that they are never diverted back to military use.

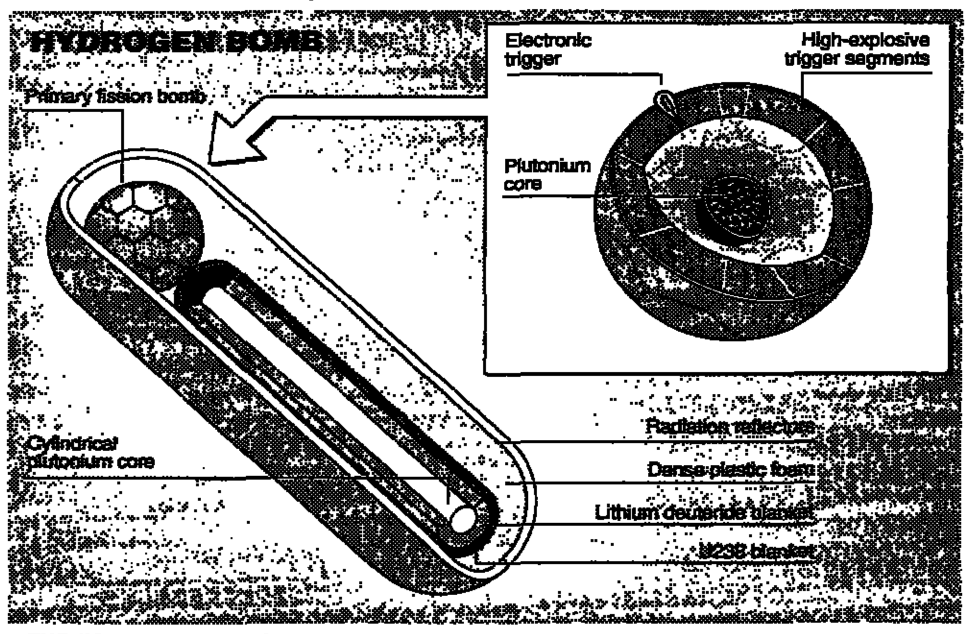
One of the most vexatious issues surrounding nuclear disarmament is what to do with the weapons-grade plutonium. The US already has an estimated 50 tonnes of unwanted plutonium, which was either removed from scrapped warheads or produced for future military use but no longer required, and the weapons decommissioned over the coming years will generate more.

The obvious civil use for the plutonium is to generate electricity in power stations. But the type of reactor designed to run on plutonium, the fast breeder, remains far from commercial development. For use in conventional thermal reactors the plutonium has to be combined with uranium in the form of mixed oxide (Mox) fuel.

"Looking at the non-proliferation aspects, the best use of the plutonium is to burn it as mixed oxide fuel," says David Kyd of the IAEA. Many people in the nuclear industry agree but others are sceptical about recycling plutonium in this way because it is more expensive and difficult to use than straightforward uranium fuel.

"Plutonium recycling is simply uneconomic," says William Walker of the Science Policy Research Unit at the University of Sussex. "Most plutonium in the world should be regarded not as an asset but as waste to be disposed of."

Suggestions for plutonium disposal range from entombment deep within the earth to firing into deep space. But no one has come up with scheme that is technically feasible, environmentally acceptable and politically supportable.



THE IMMENSE destructive power of a modern warhead results from four nuclear explosions – one fusion and three fission reactions – occurring within a few millionths of a second inside its metal casing.

At the heart of the weapon is a small "implosion-type" atomic bomb similar to the one that destroyed Hiroshima in 1945. It is detonated by firing a spherical shell of high explosive around a ball of plutonium (or highly enriched uranium). The pressure squeezes the plutonium into a super-critical mass, triggering explosive nuclear fission.

The primary explosion transmits an intense pulse of X-ray energy towards a cylinder of lithium deuteride wrapped around a rod of plutonium. This radiation triggers a second fission reaction in the plutonium rod and nuclear fusion between deuterium and tritium – the main source of the H-bomb's awesome power – in the lithium deuteride. The cylinder also contains some tritium gas.

The cylinder has a thick outer layer of unenriched uranium (U238) metal. This "tamper" gives the thermonuclear explosion extra force by holding the deuterium and tritium in place for an extra millionth of a second or so before everything flies apart. At the same time, the intense flow of neutrons from the fusion reaction triggers fission in the U238 itself – adding yet more power to the warhead.

The weapon has many other components, including electronics to control the detonator, and radiation shields and mirrors to distribute radiation from the primary explosion evenly over the secondary cylinder.

WORTH WATCHING

by Della Bradshaw

Batteries for globetrotters

WHILE notebook PCs are frequently touted as tools for the business traveller, in practice few have enough battery power to last through a transcontinental flight, writes Louise Kehoe. This is especially true of models with high-quality displays and hard discs.

Compaq Computer's latest "notebook" computers, the Lite/25 and LTE Lite/20, go some way to overcoming this. They use the latest Intel 386SL microprocessors, which minimise battery drain by suspending operation of functions that are not in use.

Compaq has also developed a low-power backlighting system for the display, normally the most power-hungry element of a notebook. The lighting system saves up to 50 per cent of the power consumed by earlier designs.

Also included in the latest Compaq notebooks is a battery pack with a built-in microprocessor that monitors power use and displays the amount of power remaining on a battery gauge.

These innovations enable Compaq's new LTE Lite/25 and Lite/20 models to run for three to four and a half hours – a 50 per cent improvement.

Friendly coating keeps water out

COATING concrete to make it waterproof – particularly in motorway construction where the salt can destroy the concrete if it is allowed to eat into the pillars – hardly seems glamorous.

But a technique devised in the US and commercialised in Australia could bring concrete coatings into an environmentally conscious world. Radcon #7, which will be sold in the UK by Nationwide Protective Coatings, of Newton Abbot, Devon, is a water-based coating which sinks into the concrete surface and reacts with free calcium in the concrete to produce a hydrophoebic barrier.

The coating is sprayed on to the concrete, where it becomes sticky. Then the surface is sprayed down three times with water at regular intervals. This starts the biological process. Additionally, if cracking occurs to the concrete due to thermal stress, the coating is washed into the cracks when it rains, so sealing the fissures.

Phone call links the networks

FOR many small or medium-sized companies the expense and complexity of setting up a wide area network to link personal computers which are on different sites is off-putting.

The answer, according to Technology Concepts, of Cwmbran, could be a box which enables the two machines to communicate over the ordinary phone line exactly as if they were connected together using the company's own network.

The Welsh company has developed the PCC/MX unit to connect to the PC in the head office. From there it can communicate over the phone line with a variety of different terminal types – factory data collection units, cash machines, banking terminals or even machine tools. The processing unit takes up 4 Kbytes of the PC's memory.

Warning sign for oversized lorries

TO PREVENT double-decker buses or lorries from smashing into low bridges, the UK's Department of Transport is planning to instal electronic devices to warn drivers of an impending accident.

The Overheight Vehicle Detector, developed by Coeval, of Prestonpans, East Lothian, uses infra-red technology to detect vehicles over a certain height.

Two infra-red beams are installed on poles about 100m before the bridge at the maximum clearance height. If the two beams are interrupted by a vehicle, the detectors send a message to an electronic display a short distance further on. Bright flashing amber lights then warn the driver to turn around or take an alternative route.

The equipment will be installed in 30 sites in England by September.

Fuel cells get a green light

A PORTABLE fuel cell, weighing just 62 pounds, could provide enough electricity to power the lights for an outside video recording or throw light on a game of tennis.

Developed in Japan by Sanyo electric, the cell produces up to 250 watts of electricity directly from a chemical reaction. The materials used are phosphoric acid and a hydrogen-absorbing metal.

Only water vapor is released outside the case, says Sanyo, making the fuel cell environmentally sound.

Sanyo is now concentrating on developing 2kW and 3kW models for use in home power supplies.

Can't tell a book by its cover

DO NOT be over-impressed by business travellers who appear glued to their laptop computers on long journeys. They might just be curled up with a book.

The Voyager company, of Santa Monica, California has developed software to enable Apple Macintosh users to call up pages of books on the screen. By pressing a key the pages are turned over and notes can be added electronically to the margin or sections highlighted. There is even an electronic paper-clip to make a specific page easy to locate.

Particularly intended for those who have bought the latest Powerbook laptop, the discs display illustrations as well as text. One of the first three books to be put on to disc is Martin Gardner's annotated "Alice in Wonderland", including illustrations.

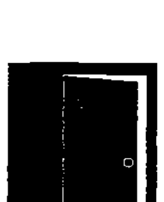
Sound can also be incorporated. With Michael Crichton's book "Jurassic Park", for example, when a dinosaur is mentioned the reader can click the name and a picture appears – along with the sound the animal might have made.

Contacts: Compaq Computer: US, 713 370 0670; UK, 081 332 3000. Nationwide Protective Coatings: UK, 0626 334553. Technology Concepts: UK, 0633 872611. Coeval: UK, 0875 814555. Sanyo Electric: Japan, 06 991 1181. Voyager: US, 310 451 1383.

MANAGEMENT

Hats off to mother-in-law

Lucy Kellaway visits Ian Plenderleith, a banker who views the international financial markets down the barrel of a popgun



MY OFFICE

The Bank of England's markets supremo looks ill at ease, and glances doubtfully around his room. Urbane and self-possessed when discussing the Exchange Rate Mechanism, Ian Plenderleith seems less comfortable talking about the decor of his room on the Bank's inner courtyard.

"The office is a machine for working", he says briskly.

In his case, the machine is so old that one would have thought it obsolete long ago. At the grand old entrance to the Bank in Threadneedle Street, there are no electronic gates, no magnetic security passes. Instead four elderly men in pink tail coats and red waistcoats with shiny silver buttons graciously welcome visitors into the building.

Plenderleith is to be found across a wide expanse of mosaic floor and down a dark corridor. A parlour messenger, also clad in pink and red, greets you politely, takes your coat and sees you into a small, slightly dingy ante room to wait while the Bank's associate director finishes a meeting.

Plenderleith's office is surprisingly small for the man who oversees all London's financial markets. The atmosphere is heavy, traditional, frumpish even. But Plenderleith defies you to draw any conclusions: "The building is old and historic, but the organisation is efficient and modern", he says.

The room is dominated by two outsize pieces of furniture, a reproduction leather-topped desk and a scuffed grey safe with a combination lock.

Given the decisions that pass over Plenderleith's desk – when to support the pound how to pay for the Government's latest burst of spending – there can be no shortage of sensitive papers to fill it with.

Were it not for one or two tell-tale signs, this could be the 1950s. There are modern-looking butts in the ash-tray. There are four new telephones, one for the outside world, one special circuit for the Bank's senior directors, a hot line to the Treasury and another to the Stock Exchange.

But the main concession to the modern age is a bank of six large screens, neatly boxed in a wooden cabinet in an optimistic effort to make them more in keeping with the room. These display all the information available to any of the market-makers in the Square Mile, including their own views of the market. "I read a great deal of uninspired rubbish," Plenderleith says crisply.

On top of the screens is a relic of the old technology, a black silk top hat that Plenderleith wears once a month when he is playing the role of Government Broker. Does he feel silly in it? Apparently not: "It is a small but worthwhile part of the tradition", he says. The hat, itself, he is proud of: this one does not come from Bank's own stockpile of silk hats, but from his mother-in-law's attic.

There is a British no-nonsense touch about Plenderleith, who starts work at 7.45am and does not waste a moment all day. He talks about the importance of short lines of communication; there are sliding doors on each side wall of his office, one opening onto the man in charge of the gilts market, the other to the one in charge of home finance. "It takes 17 seconds to walk down to the market makers without hurrying," he says.

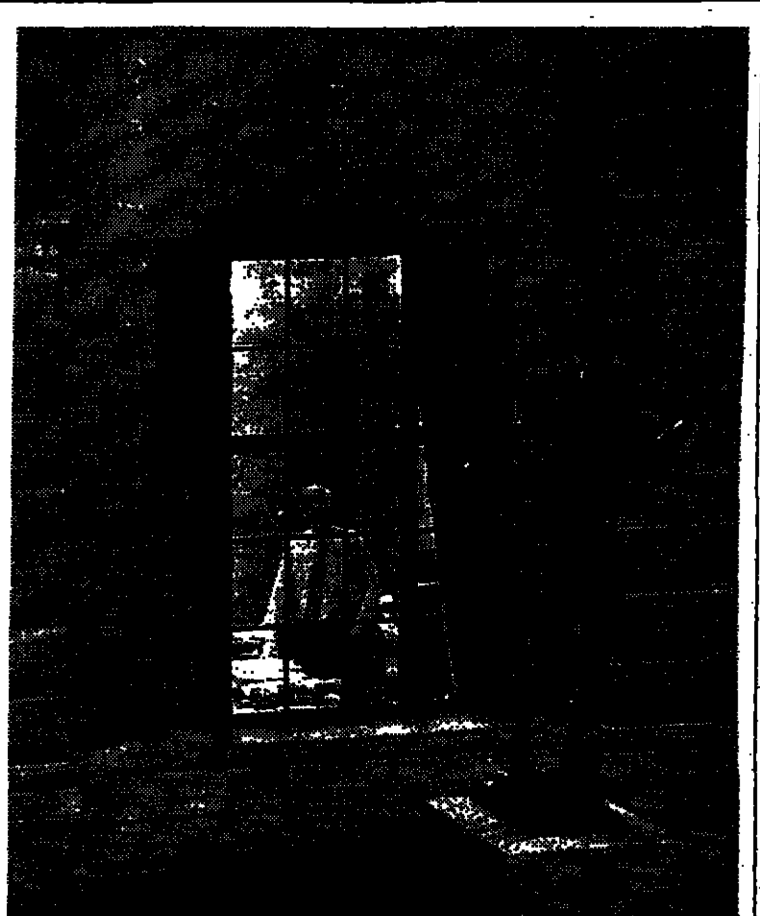
Plenderleith is an enthusiastic caller of *ad hoc* meetings. "Often during the day I will need to get three or four people together for 20 minutes to deal with a complex subject. It's a lot faster than exchanging memos."

The visitors who pass through all day can expect a mixture of austerity and luxury. They will find none of the sofas, coffee tables and plants that are *de rigueur* in modern offices. Instead, the room is full of upright Regency- style dining chairs on which guests perch while Plenderleith surveys them quizzically from the other side of his desk.

In the morning and afternoon, a tray is brought in by the parlour messenger with silver jugs of tea or coffee and fine white bone china cups.

With such a surfeit of tradition, there is little scope for the Bank's employees to stamp their personalities on their surroundings. Plenderleith has added just one touch of his own.

On his desk is his "prize possession" a brightly coloured wooden popgun, a present from his children to celebrate big bang. "I often feel like pointing it at people", he says.



Colin Beere

Looking in on Ian Plenderleith: "The office is a machine for working"

Missing out on appliance of science

There is no shortage of scientists or ideas in Britain, but industry still has serious problems in exploiting them. Senior executives of British companies recognise that technology is vital to success, but delegate too much responsibility for technology management and planning.

A new survey of 80 British manufacturing companies prepared by PA Consulting Group shows that British companies are slower than competitors to capitalise on ideas and turn them into commercial products. Almost all senior executives also seem dissatisfied with their own company's internal research and development and believe that it is necessary to improve the effectiveness of their R&D effort.

The research suggests a worrying gap between the business management of companies and the engineers and technologists. Senior managers still see technology as being the domain of the boffin. Nearly 30 per cent of companies admitted that nobody was responsible for technology management, 15 per cent saw it as a junior function and another 30 per cent believed middle managers were responsible.

Speed of technological development is seen as a important business issue. Three-quarters of companies said that process development times failed to keep up with market demand while 55 per cent said product development also lagged.

To overcome some of the problems, PA Consulting suggests that British companies should learn from the Japanese and develop business and managerial skills in their engineers and technologists.

"Two-thirds of the directors of Japanese manufacturing companies are scientists, engineers or technologists by background," the report notes. "In the UK, more than two-thirds are not. If nothing else, this creates an environment in which the leaders of the Japanese company speak the basic language of manufacturing."

Paul Taylor

Nannies take first steps in Whitehall

John Willman looks at moves to provide nurseries for the children of civil servants

When Angela Rumbold, chairman of the ministerial group on women's issues, opened the First Steps nursery for the children of Westminster-based civil servants in December 1991, she could claim more than just a fashionable interest in childcare provision.

A Cabinet Office study in 1990 had shown that a central London nursery could save the civil service around £40,000 a year if it enabled even modest numbers of mothers to return to work after the birth of their children.

As Rumbold put it: "More and more, employers are recognising that one way to retain valuable staff is to help make it easier to combine career and family responsibilities".

The problem will become more acute for the civil service as the number of new entrants to the labour market drops in the mid-1990s.

Like other employers which have traditionally relied on a steady stream of school-leavers, government departments will either have to offer higher wages to maintain recruitment or find ways to retain more of the staff they currently have in post.

Luring back staff who have stopped work to have children is one option.

The First Steps nursery offers places for 27 pre-school children of civil servants from five central London departments and the Metropolitan Police Office.

Located just behind the Tate Gallery, the nursery is run by the Westminster Children's Society under the aegis of the Home Office.

Parents pay £60 a week per child, with the rest of the cost being picked up by the employing department.

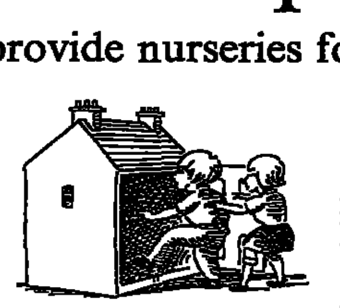
First Steps is one of more than 20 civil service nurseries based in towns such as Guildford and Bootle where there are large government offices.

The biggest, with 65 places, is the Sunbeam Nursery in Croydon, run by the Home Office in the headquarters of the Immigration Service.

More are in the pipeline: the Inland Revenue which already has seven is planning to open another nine, including a purpose-built nursery in a new office block in Leicester.

There is no central organisation which can set up nurseries for different departments and agencies, since provision depends on local circumstances. In each case, a sponsoring department or local office takes the lead in setting up the nursery, offering surplus places to other departments.

Partnerships between departments are fostered by a small unit in the Cabinet Office which provides information to departments and acts as a clearing house for spare nursery places.



CHILDCARE

In some parts of the country, departments and agencies have formed partnerships with other local employers to run nurseries.

In Sheffield, two government departments share nursery facilities with Midland Bank, the largest provider of workplace nursery places in the private sector. Partners in other parts of the country include Sainsbury's, county councils and local colleges.

Also popular among civil servants with children are the holiday play schemes now running in more than 80 locations.

These provide entertainment and stimulation for children during the school holidays, typically at a cost of £5 a day.

Stephanie Bradley, a mother of two, is enthusiastic about the play scheme run by the Inland Revenue at Bush House in London's Strand.

"In the past, I have had to save up my leave for the summer holidays and take unpaid time off," she says. "It just wouldn't be possible in my present job as press officer."

In Scotland, three departments participate in local out-of-school schemes which look after children between the end of the school day and the parents' return from work.

Other pilot schemes may be run, though they are more difficult to set up because they must be located close to schools and home, rather than the workplace.

Finally, the civil service has pioneered flexible working arrangements which help staff combine parenthood with a career.

More than 27,000 women (and over 1,000 men) work part-time or as job-sharers, a three-fold increase since 1984.

The vast majority are in clerical and administrative jobs, but more than 250 women and 150 men at the senior grades 7 and above now work part-time.

Other patterns of flexible working have been developed, including annual hours and part-year appointments which allow parents to work during term-time and take time off during school holidays.

Homeworking, fixed-term appointments and recurring temporary appointments have all been used to help civil servants combine home responsibilities with a civil service career.

"It is too soon to put a figure on the effects of childcare provision on recruitment and retention," according to Susan Haird, head of equal opportunities at the Cabinet Office. "But where childcare is available, there is keen interest from many applicants.

"Departments and agencies tell us that nurseries and holiday play schemes reduce absenteeism, sick leave and special leave taken because private childcare arrangements break down.

"Resignations for domestic reasons also seem to drop and a higher proportion of women civil servants having babies return to work at the end of their maternity leave."

This is one of a series of articles on childcare.

WORLD INDUSTRIAL REVIEW

Friday January 31 1992

TWO of the world's youngest and healthiest industries, electronics and the aerospace and aviation sector, have reached a painful turning point.

Last year there was a growing recognition that these industries have reached a moment which could change the course of their evolution and their role as engines of growth. The changes sweeping through these industries will profoundly affect the companies which make them up, the people who work within them, their customers and suppliers in the next few years.

Their travails in 1992 will be set against the backdrop of slow economic growth, intensifying competition in older industries such as cars, and painful restructuring in steel and chemicals.

Electronics and aviation/aerospace industry have both enjoyed near permanent growth since their birth after World War Two. They have not suffered the cyclical swings in demand which have become common for older manufacturing industries established in the 1920s and 1930s such as chemicals, motor cars and electrical goods.

In the past year both electronics and aviation/aerospace have been hit by slower economic growth, in the wake of the Gulf War. But doubts about their health run deeper than the chill they have caught from the recession. Both industries face structural challenges which could sap their dynamism.

In electronics the doubts have been raised largely by success in generating new technology. Semi-conductor manufacturers geared to a ready demand for their products are cutting production and investment because of doubts about the demand for their most sophisticated chips.

The computer industry has been accustomed to growth rates of 20 per cent a year over the past 30 years since its birth. In the past year, it has come to a shuddering halt.

The choices facing computer makers are daunting. The cost of backing a technology which proves unpopular is huge. But the costs of success – research on successive generations of hardware and software – are also huge, while margins earned on finished products are falling as computing power becomes an oversupplied commodity. Computer users who even five years ago might have been so dazzled by new technology have become more dubious about the benefits of information technology. Consumer electronics companies for years they have made money through incremental improvements to familiar products such as televisions and hi-fis.

Now its growth prospects depend on technological leaps of faith into new products such as high-definition television.

In aerospace and aviation the doubts are different. For the first time since World War Two, passenger traffic suffered a decline last year. Just as IBM, the heart of the old computer industry, is suffering heavily, so Pan American, the illustrious airline, disappeared last year.

Just as significantly for aerospace manufacturers the end of the Cold War probably spells a permanent reduction in military funding for expensive aerospace programmes. Meanwhile, there is only one major new civil aircraft planned for this decade the Boeing 777. Around the world, engine and airframe makers are shedding labour as they adjust to this environment.

More mature industries, such as cars, chemicals and steel are also beset by different degrees of difficulty. In steel, especially in the US and Europe, lower demand has exposed the fragility of the steel makers' recovery during the 1980s. The more stable chemical industry is cutting costs in a bout of restructuring which has highlighted the strength of pharmaceuticals. In the western car industry, the lumbering corporate giants such as General Motors are still reeling from mounting competition from Japan.

None of the problems afflicting these industries will be eased by the economic climate in the next year. World growth in 1992 should be marginally stronger in the second half of the year. However, there are significant risks of a "growth recession" in the OECD, with the US, UK and Australia taking longer than expected to recover just as Germany and Japan slow down.

Painful structural change within vital industries combined with slower economic growth will make it more difficult to resolve some of the most pressing political issues which will set the framework for industry's development. Five political questions will be central.

● The Japanese economy has grown with its industries' exports largely protected by a political umbrella provided by US guardianship. With tension growing over trade in US-Japanese relations, is the Japanese political class capable of ensuring the umbrella remains in place?

● The US presidential elections, with the economy still mired in recession, and the country increasingly troubled by its loss of competitiveness, will test the strength of protectionism.

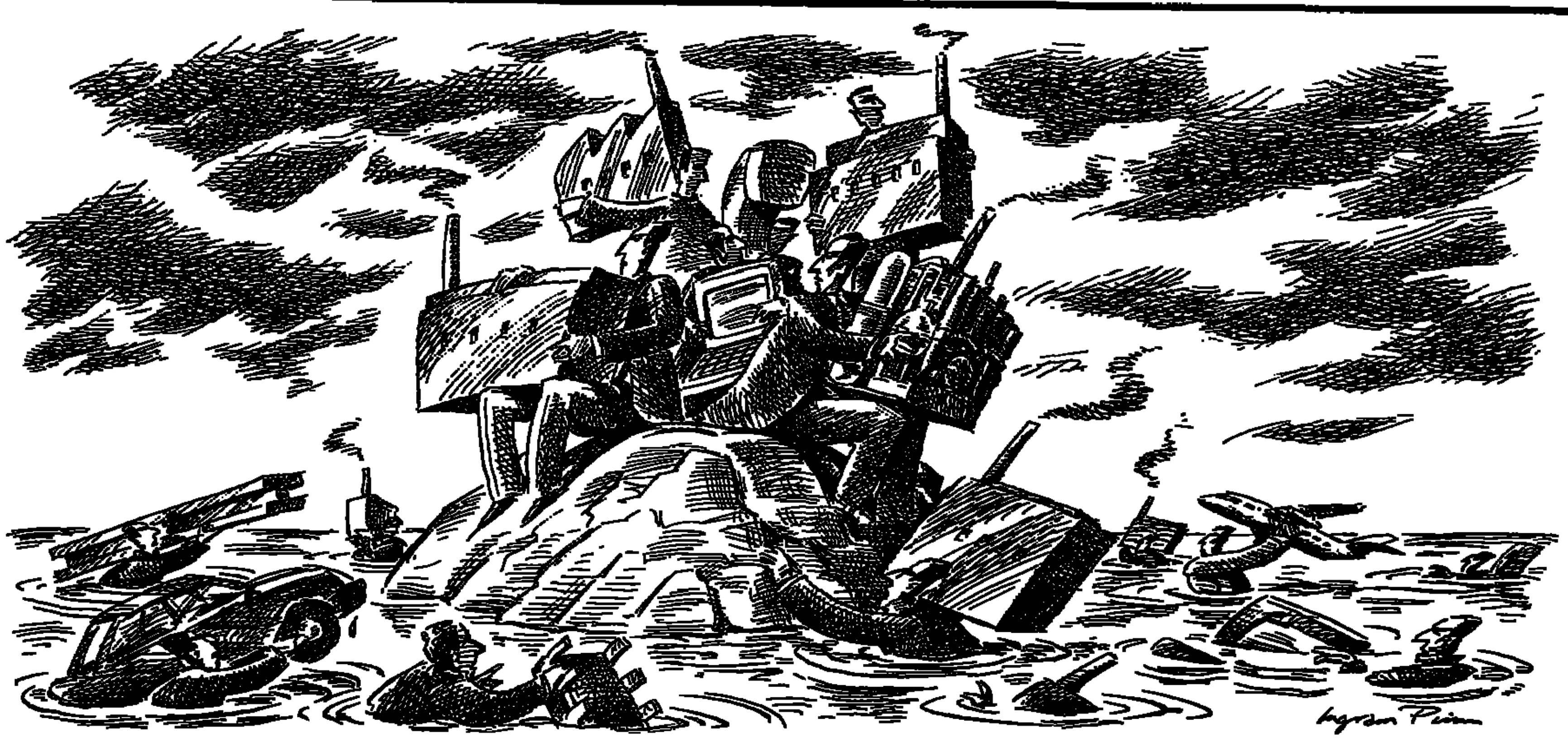
● The next year may prove crucial in European economic integration, determining whether the single market programme succeeds or is overcome by mounting tensions over economic and monetary union. The health of the reunified German economy will be central to the rest of Europe.

● The economic disruption which will flow from the collapse of the Soviet Union could impose heavy direct costs upon east European economies as well as great uncertainty in the west.

● Perhaps the most important issue will be the outcome of the Gatt talks to further liberalise world trade. A liberal trading order, enforced by strengthened rules covering virtually all countries and almost all trade flows is within the world's grasp.

However, the US is increasingly attracted to bilateral negotiations to manage trade. In the EC and Japan agricultural lobbies are still powerful.

The significance of a failure to secure a Gatt deal would be huge. World trade has led the growth of output through each successive economy cycle since the 1950s, partly because of the gradual liberalisation of world trade. A failure at Gatt might put in doubt the role of world trade as an engine of world growth.



The down-turn may be more than merely cyclical, writes **Charles Leadbeater**

Engines of growth slow down

STATE OF THE ECONOMY

The hangover that persists

SHRUGGING off last year's sporadic growth rates is proving hard work for the world's leading economies. This year should deliver more vibrant trading conditions; but only just. The world economy remains burdened by a hangover, following the late 1980s boom that is taking longer than expected to fade.

The world economy has probably avoided an outright recession. Back in 1982, the last time that total OECD output fell year-on-year, both the US and Germany were in recession. Growth was sluggish among the rest of the group of seven largest industrialised countries except Japan.

The current downturn has been less synchronised. OECD activity reached its trough in the first half of last year, with around one third of the OECD countries in recession, including the US, UK and Canada. But overall OECD growth remained positive – up 1 per cent on the second half of 1990 – because of the still buoyant performance of Germany and Japan. The Japanese stock market crash of 1990 was not having the negative impact on consumption and investment that many feared. Meanwhile, the spending boom that followed German unification was fuelling west German growth and sucking in imports, thereby cushioning the economies of northern Europe.

This healthy divergence of economic performance among the world's three largest economies began to turn sour in the second half of last year. The OECD remained relatively bullish in its July Economic Outlook, forecasting OECD output growth of 2.4 per cent in the second half of 1991 compared with the first half, and 2.9 per cent in 1992. It expected recoveries in the US and UK to outweigh a moderate slowdown in Japan and Germany.

Yet both the US and the UK have failed to deliver their side of the bargain, while Japan is slowing faster than expected. By December, the OECD had cut its forecasts to just 1 per cent growth in the second half of 1991 and 2.2 per cent growth in 1992. Since then, the Bundesbank has raised German interest rates again, in an attempt to deflate rising wage demands in western Germany. *Goldman Sachs has since cut* its forecast for OECD output growth in 1992 to 1½ per cent.

What went wrong? First and foremost, the heralded US recovery has not materialised. The US economy, having suffered one of its shallowest post-war recessions, is stumbling through an equally slow recovery. Consumer and business confidence fell last autumn, following a brief recovery after the end of the Gulf war, depressing spending and orders. The evidence suggests that the US slipped back into recession in the fourth quarter.

This "double-dip" US recession has occurred in spite of an aggressive easing of monetary policy by the US Federal Reserve. US real interest rates, adjusted for expected inflation, have now fallen below 1 per cent. Yet consumers remain burdened by unprecedentedly high levels of debt, while banks are still accumulating bad loans.

If anything, the UK is in a worse state than the US. It has not yet convincingly emerged from its recession, which began a quarter before that of the US. Further comparison with the US is instructive: the UK has a higher burden of household debt; its economy is trying to recover from a deeper recession; it suffers from higher underlying inflation; and has an exchange rate that is less competitive in world markets.

Most important, however, Britain's short-term interest rates remain more than twice as high as in the US. Britain was the only member of the European exchange rate mechanism not to follow the Bundesbank's lead by raising rates at the end of last year. Yet real interest rates in the UK, and in France and Italy too, remain painfully high.

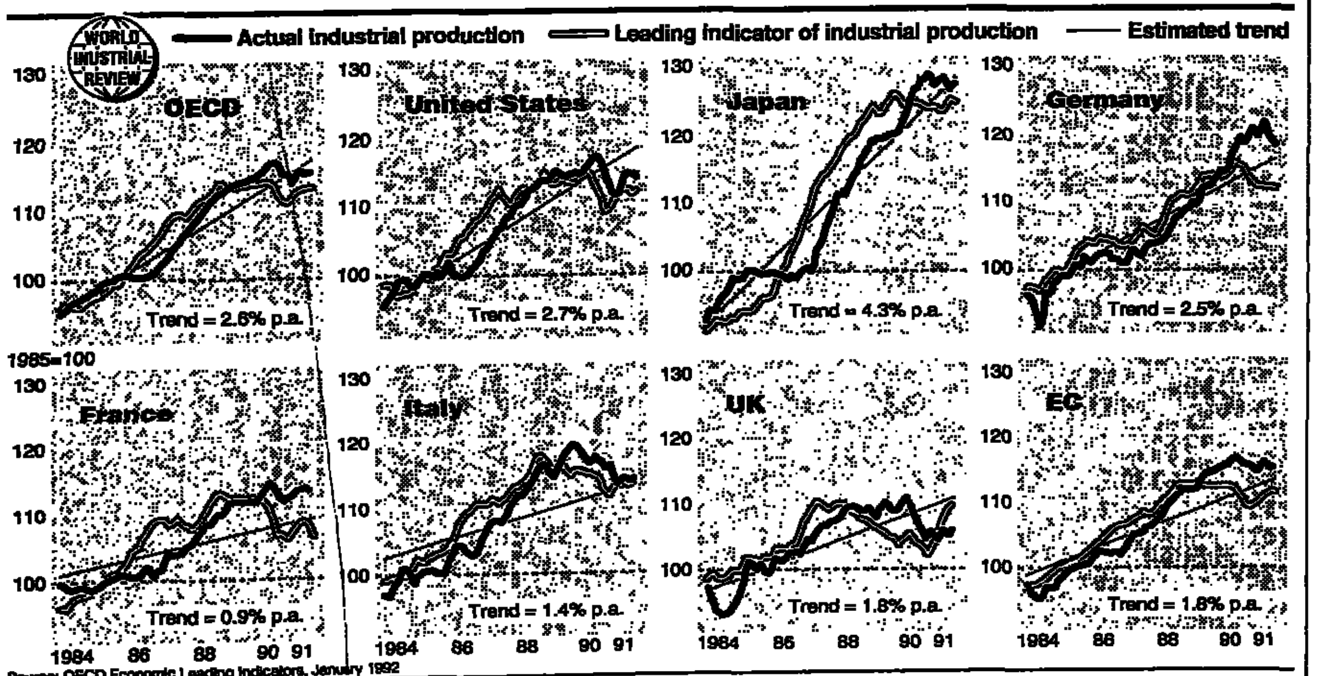
The ERM will prevent any marked easing of European monetary policy until the Bundesbank starts to cut rates. With tension between the German metal employers and unions rising, and strike threats in the air, the Bundesbank may not cut rates until the early summer. The result is predictable: more slow growth across Europe, including Germany. The OECD's leading indicators of industrial production, which are designed to predict movements in actual output, suggest flat or falling output across Europe, the US and Japan in the first half of 1992. The one exception is the UK, whose leading indicator has been rising for the past 10 months. But there is little sign that UK output is responding.

The one possible source of more robust growth in 1992 is Japan. The Japanese economy grew by more than 4 per cent in 1991. Moreover, the Bank of Japan has responded to growing signs that activity is weakening by cutting interest rates three times since last July.

Yet this easing of Japanese monetary policy has been accompanied by a steady fall in business confidence, sluggish retail sales, and rising bankruptcies, especially among heavily-indebted small and medium sized companies. Broad money growth has fallen to unprecedentedly low levels, reflecting the Japanese banks' continued nervousness.

Japan may well ease policy further over the coming months. But unless these rate cuts are accompanied by easier German monetary policy, and, more importantly, spark a rise in lending and spending as has not been the case in the US, the world economy could well face another miserable year.

Edward Balls



Source: OECD Economic Leading Indicators, January 1992

AIRLINES AND AVIATION

Stalled on the runway

FOR the first time since World War Two, passenger traffic suffered a decline last year. Several well known airline names, including Pan American, one of the most illustrious, disappeared.

Savaged by the collapse of air travel provoked by the Gulf crisis and the economic recession and the introduction of fiercer competition as a result of increasing deregulation and liberalisation, the weaker carriers are struggling to survive.

Consolidation is expected to accelerate in the industry this year through mergers, acquisitions and commercial partnerships. The latest, and undoubtedly most significant, deal under discussion is the attempt by British Airways to link up with KLM-Royal Dutch Airlines and Northwest of the US to form a global airline to take on the new breed of so-called US "megacarriers" and the expansionist Far East airlines.

Other airlines are scrambling to forge alliances. Air France is hoping to link with Sabena of Belgium and has agreed to lead a consortium to acquire *40 per cent of CSA of* Czechoslovakia. SAS, Swissair and Air Austria have formed a commercial and marketing partnership.

In the US, the market has become dominated by three large carriers: American Airlines, United Airlines and Delta Air Lines, which have all grown by acquiring international and domestic routes from weaker US carriers.

In the Far East, where traffic is expected to continue to show above average growth, carriers have been seeking to expand their international networks while consolidating their operational bases in the Asia-Pacific region. These airlines have also been anxious to develop alliances with other international partners.

Singapore Airlines has cross-shareholding links with Delta and Swissair; Qantas is now seeking an international partner to take an equity stake in the Australian carrier as part of its privatisation; Japan Air Lines and All Nippon Airways have forged commercial links with international carriers to bolster their international networks.

But the most *immediate* problem facing the airline industry is its low level of profitability. International airline losses last year are expected to total more than $4bn compared with a $2.7bn loss in 1990. Even though traffic has started to pick up and the industry is expecting to see growth eventually stabilising at around 5.5 per cent – 6 per cent a year during the rest of the decade – yields remain under intense pressure because of heavy and unprofitable discounting of fares.

Airlines will have to improve their overall profitability if they are to meet their long term aircraft fleet renewal and expansion commitments.

Mr Günter Eser, the director *general of the International* Air Transport Association (IATA), has warned that traffic recovery is being bought at the expense of yield.

"It simply is not possible with today's cut-price passengers to pay for tomorrow's full-price aeroplanes," he said.

The industry faces a host of other pressures. Liberalisation will intensify competition in the European market and force cost-heavy European carriers to continue rationalisation to enhance productivity, while improving service and frequencies to fend off the expansion of US and Asian carriers in more open European skies.

With the eventual recovery in traffic after last year's Gulf war aberration, the old problem of congestion in the sky and at airports is expected to return to the fore. Inadequate air traffic control systems in Europe and in some other parts of the world coupled with congestion at crowded international airports risk clipping the wings of any recovery in air transport unless governments and aviation authorities accelerate efforts to improve the infrastructure of the industry.

Paul Betts

The principal industries at a glance

Only a few stars

A WIDE range of industrial sectors are in the midst of a deeply disruptive downturn forcing leading companies into far reaching reassessments of their strengths and weaknesses.

Traditionally cyclical industries such as chemicals and steel were expecting lower *demand, but not the potentially* severe downturn which has emerged. In the car industry, recession in the US and some European markets has compounded the difficulty western producers face from a mounting Japanese challenge.

These traditional manufacturing industries established before the second world war have been well worn by recessions since the 1970s. More dra*matic is the position of some* younger industries – aerospace, aviation and electronics. The aerospace industry is facing an historic decline in defence spending; aviation is in the midst of a financial turmoil; the electronics industries from computers and semi-conductors to consumer electronics are deeply troubled, almost for the first time since their birth, by sharply lower growth.

One of the few bright stars is pharmaceuticals, an industry which appears to have been invulnerable to recession.

What follows is a brief guide to the worldwide state of the main industrial sectors.

● **Commercial Vehicles.** Commercial vehicle makers, and in particular the truck producers, are enduring harsh challenges with sales falling in North America and in many western European markets. Sales and production have also declined for two years in Japan in 1989-90, though less dramatically.

In Europe, German sales, which were robust last year, are expected to weaken this year.

Leading truck makers in the US and Europe continue to accumulate heavy losses.

● **Cars.** Car makers are operating in an increasingly harsh financial climate with heavy losses particularly in the US in the face of fierce competition and recession.

In Europe, several volume markets led by the UK, Spain and France, have been hurt by plunging sales, while the German industry is warning that demand cannot continue at the overheated levels of last year.

Sales have weakened in Japan after several years of buoyant growth and the profits of some leading Japanese car makers are slipping.

The focus of the Japanese challenge is likely to shift in the next two years from the US to Europe.

● **Engineering.** The machinery manufacturing industries have been hit by recession in the UK. In the US, demand has not picked up but it has stopped falling. In Asia, the trend of demand is down but not sharply.

Sales into eastern Europe and the former USSR have come to a virtual standstill while the Middle East has not yet recovered from the Gulf war.

● **Chemicals and pharmaceuticals.** Differences in performance between dynamic pharmaceuticals companies and their more sluggish chemical counterparts were all too evident last year.

Helped by ageing popula*tions and increasingly* expensive and sophisticated drugs, the pharmaceuticals groups have proved to be inoculated against the insidious slowdown of the western economies.

Most top European drugs companies reported sales growth averaging about 13 per cent over the past 12 months.

In contrast, bulk chemical companies had a dreadful year and few expect much improve*ment this year although cost* cutting programmes should start feeding into improved margins which have been squeezed by falling prices, lower demand and soaring environmental costs.

● **Steel.** Red ink is starting to flow thick and fast across the world's steel industry.

The traditional integrated US steel makers are being severely tested again having *barely recovered from the cri*sis of the 1980s. Even in Japan, the most stable and technologically sophisticated industry, profits are coming under severe pressure.

MEPS, the Sheffield based steel consultancy, projects EC production in 1992 of about 129m tonnes, down from 132m tonnes in 1991.

Japan's output is widely expected to fall about 4m tonnes, to about 107m tonnes this year.

US production is forecast to be about 1 per cent on last year.

● **Computers.** The industry enters 1992 in disarray.

The major hardware manufacturers are all in difficulties. IBM, the bellwether of the US industrial economy, had the worst year in its history – the first time growth had fallen on a year-on-year basis since 1946 and the first pretax loss in living memory.

The surviving European owned manufacturers, Siemens Nixdorf of Germany, Bull of France and Olivetti of Italy, all lost money last year and have put in place wide-ranging recovery plans.

The Japanese manufacturers, Fujitsu, Hitachi and NEC, which have hitherto grown strongly on the back of a healthy home market, faltered as problems with the powerful Japanese banks and hints of scandals in Tokyo shook business confidence.

● **Consumer electronics.** The growth of the consumer electronics industry in the last decade has come to a halt.

The travails of the leading European producers such as Philips and Thomson are well known. Far less familiar are the across the board cuts in capital spending which have become the rule of the day in Japanese industry.

● **Aerospace.** The aerospace industry is bracing itself for another unstable and grim year as it adapts to the irrevocable decline in government defence spending and the recession in civil aviation which has taken a heavy toll of the fragile finances of many airlines.

Restructuring is expected to lead to more job cuts in the defence sector as manufacturers grapple with the uncertainty of future defence programmes at the same time as they reduce capacity in the face of defence cuts.

In the US alone, more than 100,000 people were laid off last year and the industry expects a further 36,000 to go this year.

In Europe, the leading defence contractors are all in the throes of restructuring programmes which are likely to be affected by a series of important government decisions this year on the future of programmes such as the European Fighter Aircraft.

New orders for commercial aircraft dropped sharply last year and are expected to remain flat this year. Boeing, the world's biggest commercial aircraft maker, booked 252 aircraft valued at $20.26bn last year compared with a record 543 new aircraft orders in 1990. Airbus, the European aircraft consortium, booked 101 new aircraft orders compared with 404 the year before.

Although international passenger traffic has started to recover during the last three months, airlines are still struggling to climb out of the recession and continue to face grave financial pressures.

For the first time since World War Two, passenger traffic suffered a decline last year. The most immediate problem facing the airline industry is its low level of profitability. International losses last year are expected to total more than $4bn compared with a $2.7bn loss in 1990.

Charles Leadbeater

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COMPUTERS: *confusion and disarray.*
STEELMAKERS: *deeper into the red.*
AEROSPACE: *casualty of politics and slump.*
CHEMICALS: *drugs make all the difference.*

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TELECOMMUNICATIONS: *growth against the odds.*
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MACHINERY: *varying degrees of discomfort.*
TRADE TALKS: *a spectre of protectionism.*

SEMICONDUCTORS

Chips are everywhere

WEAK economic conditions in the US and Europe cast a shadow over the world semiconductor industry last year.

Worldwide revenues grew by only about eight per cent, to $55bn, a far cry from the industry's traditional double digit growth but nonetheless better than 1990 when sales were flat.

However, overall market trends mask a mixed performance by leading manufacturers, as sales of some product categories boom, while others are in a slump.

The ubiquitous microprocessor, the "brains" of computers, for example, continues to be a gold mine for companies such as Intel, now the largest US producer of integrated circuits. Microprocessor sales revenues leaped 60 per cent last year, to $3.5bn. Intel won the lion's share of this growth.

Sales of microcontrollers, the blue-collar cousins of the microprocessor used in a wide variety of industrial equipment, in cars and in consumer electronics products, grew by about 25 per cent to almost $5bn.

The market for commodity memory chips, in contrast, is experiencing severe oversupply and rapidly falling prices that have depressed the semiconductor earnings of some of Japan's giants as well as Texas Instruments in the US.

Prices of Dynamic Random Access Memories (DRAMs) are in a nose-dive, with the average selling price of 4 Megabyte DRAMs, the latest generation of memory chips, declining by about 55 per cent over the past 12 months. DRAM sales picked up by 5 per cent last year, to $7bn, after a disastrous 24 per cent decline in 1990, according to Integrated Circuit Engineering, a US industry consulting group. Even optimistic projections of 28 per cent growth this year would only bring this segment of the industry back to its sales record of 1989, when revenues totalled $8.75bn.

Japan's leading chip makers, with their commanding lead in the DRAM market of over 80 per cent of world sales, have become the latest victims of the most volatile and risk-prone segment of the semiconductor market.

Historically, DRAM market slumps have had a profound influence upon the entire semiconductor industry. A 1981 reversal in the DRAM market, when revenues fell by 40 per cent, prompted several US chipmakers, including Intel which invented the DRAM, to leave the market. In 1985, when worldwide sales revenues took a 57 per cent dive, the US accused Japanese producers of "dumping" and ultimately won a controversial five year trade pact.

Similarly, the current problems facing DRAM manufacturers may signal a seachange in the industry. A major expansion of DRAM production during the boom years of 1987-1989 has created excess supply at a time when economic trends are dampening demand. Some of today's DRAM makers seem certain to cut their losses and retrench, leaving only a handful of DRAM "specialists" to dominate the market.

However, the future of the semiconductor industry will also be shaped by the fortunes of its major customers. The computer industry remains by far the biggest user of semiconductor devices, consuming over 40 per cent of products manufactured by "merchant" chipmakers as well as the bulk of "captive" production by companies such as International Business Machines.

The general malaise in the computer industry has set the tone in the semiconductor industry over the past year, as world computer sales revenues declined for the first time in that industry's history. In most segments of the computer market, however, unit shipments continue to expand, increasing demand for semiconductor chips. For semiconductor manufacturers, therefore, computers remain a growth market.

Similarly, the automobile industry, although severely affected by general economic trends, is a growing consumer of semiconductor devices. Today, each car sold is estimated to contain about $200 worth of semiconductor chips. By 1995 the "chip content" of the average automobile is expected to double. Other important markets for chips include consumer electronics, telecommunications and defence electronics.

The key role of the semiconductor industry as the supplier of "building blocks" to the entire electronics industry has thrust chipmakers into the debate over international competitiveness. Japanese and North American producers dominate the world semiconductor market, with Japanese semiconductor manufacturers claiming 45 per cent of the world market in 1991, while US producers accounted for about 40 per cent. European producers' share of the world semiconductor market has remained relatively flat, at about 10 per cent, over the past few years. New entrants in Korea and Taiwan have, however, achieved a five per cent world market share last year.

The US-Japanese battle over semiconductor trade remains an over-riding concern among chipmakers on both sides of the Pacific. Last year, the two countries reached a new semiconductor trade agreement in which Japan endorsed the US goal that Japan should import 20 per cent of the semiconductor products that it consumes by the end of 1992.

Currently, US suppliers hold a 14 per cent share of the Japanese semiconductor market, according to data agreed upon by both countries. Unless the 20 per cent goal is reached, however, there is sentiment in the US for some form of retaliation with serious consequences for all semiconductor makers.

While political and economic trends have a significant influence upon the semiconductor industry, it is the creation of new markets for semiconductor chips that drives the industry's growth. The emergence of "nomadic computing", high definition TV and other new types of consumer products that combine computer technology with multimedia presentations represent vast new opportunities for chipmakers that should ensure growth in the 1990s.

Louise Kehoe

COMPUTERS

In confusion and disarray

THE computer industry enters 1992 in confusion and disarray.

The major hardware manufacturers are all in difficulties. International Business Machines (IBM), the largest manufacturer, and Digital Equipment (DEC), the leading minicomputer supplier, are among the companies reporting declining sales and losses for 1991.

IBM, the bellwether of the US industrial economy, had the worst year in its history – the first time growth had fallen on a year-on-year basis since 1946 and the first pretax loss in living memory.

Apple Computer, the largest personal computer manufacturer, made pretax profits of only $310m after a $224m restructuring charge in the third quarter to finance a 10 per cent cut in its workforce.

Compaq, the skyrocket of the US personal computer industry, ran out of sparkle and fell heavily to earth, deposing its chairman and founder, Mr Rod Canion, on the way and bringing in a European, Mr Eckhard Pfeiffer, to engineer a change in the company's fortunes.

The surviving European owned manufacturers, Siemens Nixdorf of Germany, Bull of France and Olivetti of Italy, all lost money last year and have put in place wide-ranging recovery plans.

The Japanese manufacturers, Fujitsu, Hitachi and NEC, which have hitherto grown strongly on the back of a buoyant home market, find themselves with problems with the powerful Japanese banks and hints of scandals in Tokyo shook business confidence.

Some manufacturers – Sun Microsystems, a US supplier of high performance workstations, for example – seemed relatively unaffected.

For many software and services companies, too, 1991 was a good year. Microsoft, the leading personal computer software supplier, posted its eighth consecutive quarter of growth at the end of January, boosted by strong demand for its "Windows" family of products which make IBM's design of pc easier to use.

The industry is in such a confusing state because it is at the confluence of three seemingly irresistible forces which are forcing large and small companies to reevaluate their market strategies.

These forces are:

● technological change, which by reducing barriers to entry and stimulating price competition is reducing hardware manufacturers' profitability.

● the recession in the US, Australasia and much of Europe which is damaging customers' ability to buy new computer equipment and forcing them to delay decisions on new computer-based projects.

● customers' disenchantment with the benefits of computerisation, which is reducing their willingness to invest further in data processing equipment.

There is also the effect of the growth of "open systems" on the market. This has to date made more impact in Europe than the US or Japan but is becoming a worldwide phenomenon. Open systems imply hardware and software that obey industry-wide standards; computers obeying these standards can be connected together easily, while most manufacturers' traditional proprietary designs can be interconnected only with great difficulty.

Because most large corporations over the years built up a diverse collection of computer systems, they can see obvious advantages in moves to open systems. The open system movement centres around an operating system called Unix developed originally by AT&T. Two rival camps have sprung up, with each pushing its own "flavour" of Unix. Unix International has as its principal member AT&T; the Open Software Foundation is led effectively by IBM. The signs are that the two sides this year will call a truce and agree a single Unix standard.

The computer industry is at the confluence of three seemingly irresistible forces

Hardware companies are reacting in two principal ways to the problems besetting the industry. First, they are restructuring on a grand scale. Their most pressing need is to bring their staff numbers into line with reduced profit margins. IBM, for example, is going through the most profound change in its 66 year history; some 29,000 jobs went last year and a further 20,000 job cuts are planned for 1992. The idea is to shrink to about 350,000 people worldwide without forced redundancies.

IBM's approach has been to offer attractive severance packages. The cost has been huge. Last year, it took a restructuring charge of $3bn and a further $2.3bn for future cost of health care benefits for IBM pensioners.

The company is increasingly attempting to turn itself from a monolithic dinosaur with a cumbersome, centralised decision-making process into a series of self-contained, entrepreneurial units, responsible for their own profit and loss.

Second, they are forging or forming marketing agreements or technological collaborations. In Europe, only Siemens Nixdorf has the capacity to survive alone, chiefly through the financial strength of the parent company. (And Siemens has found it expedient to collaborate with IBM on the next generation of high capacity memory chips.)

The performance of the computer industry in 1992 will depend heavily on the recovery of the world economy. But no matter how strong the recovery, industry observers agree that the boom times of the 1980s will not be repeated.

Alan Cane

STEELMAKING

A rising tide of red ink

RED ink is starting to flow thick and fast across the world's steel industry.

According to MEPS, the Sheffield based steel consultancy, steel production in the European Community will continue the fall which set in with a 3.5 per cent drop last year. It projects EC production in 1992 of about 129m tonnes, down from 132m tonnes in 1991 and production in western Europe is projected to 151.4m tonnes down about 5m tonnes from last year. MEPS expects European production to grow again in 1993 and climb to a peak in 1994.

The weak outlook in western Europe will be compounded by the mounting difficulties facing producers in eastern Europe which suffered sharp falls in production last year. Steel production in the former Soviet Union in 1991 was about 133m tonnes, a 14 per cent fall on 1990. The Polish industry was among the worst hit with output down about 23 per cent at 10.5m tonnes, while in Czechoslovakia it was 18 per cent lower at about 12m tonnes.

With the disruption to trade with the former Soviet Union, and with lower growth in many of these economies, production is likely to fall substantially again this year by about 20 per cent in Poland and 16 per cent in Czechoslovakia and more than 10 per cent in the former USSR.

Outside Europe steel markets will suffer gentler falls. MEPS forecasts that US production is forecast to be about 79m tonnes, up only about 1 per cent on last year's production. According to OECD figures steel deliveries fell 8.3 per cent in the first nine months of last year, with sales to the car industry worst hit – they fell 15.6 per cent in the first three quarters – followed by the construction industry, down 11.4 per cent against the same period in 1990.

However, the decline in output and falling capacity utilisation is only one of the factors putting the industry under pressure, especially in Europe.

Producers there are being hit by a savage combination of falling demand and steeply falling prices as producers battle to preserve their strong domestic market shares and expand exports.

Prices have remained highly volatile because they are being set by the least efficient, mainly subsidised producers who need to keep their plants running at high capacity. They are trying to buy market share. More cuts in capacity led by the best managed companies such as British Steel will not make the industry as a whole more stable.

Mr Jeremy Fletcher, a director of Beddows Company, the specialist steel consultants, explained: "The industry has been through a lengthy and painful period of restructuring. Yet from the peak to the trough of the cycle production volumes may still fall by 30 per cent and in addition prices may fall by at least 20 per cent."

The weakness of European markets is bound to complicate the situation facing US steel makers as they see their export surge in the last year dry up (US steel sales to parts of the Far East were 200 per cent up in the first seven months of last year) and face intensifying competition from higher priced imports.

The fierce competition is taking a heavy toll upon the industry's finances in Europe and the US, after the brief buoyancy they enjoyed in the late 1980s. British Steel, widely regarded as Europe's financially strongest producer, last month reported its first half pre-tax profits had collapsed to just £19m from £307m last year. Analysts expect it could make a loss of up to £100m this year.

In Germany, first half pre-tax profits at Krupp Stahl fell 69 per cent, while at Hoesch, which is in merger talks with Krupp, the fall was 65 per cent. France's Usinor Sacilor warned there were signs the second half of its financial year would be worse than the first when pre-tax profits fell 72 per cent. Most European producers are facing the prospect of falling in loss in 1992.

In the US the top six integrated producers, which made a combined loss of about $1bn in the first six months of 1991, will remain under intense financial pressure this year.

However, perhaps the most interesting test will come in Japan, where output is widely expected to fall about 4m tonnes, to about 107m tonnes this year. However, steel producers there are also facing a sharp deterioration in their finances.

Nippon Steel, the largest producer, is considering a large reduction in sheet production, which analysts estimate might be 20 per cent. Kawasaki Steel, a leading manufacturer, says all product ranges are under review.

With prices falling for many products and labour costs continuing to rise, profits will be squeezed hard. Nippon Steel foresees a 30 per cent drop in pre-tax profits to Y110bn and Sumitomo Metal Industries, another leading maker, is bracing itself for a 40-45 per cent decline to about Y45bn.

Ironically perhaps, the structure of the Japanese industry is one which both US and European makers would like to emulate. In Europe 15 main producers jostle for position in an industry which makes 140m tonnes. In Japan, just five producers dominate an industry which is only marginally smaller. The average Japanese hot strip rolling mill has a throughput of 5m-6m tonnes a year, twice the volume of European counterparts. To compete with the Japanese in the long run the Europeans would need a sweeping reduction in their number of companies and plants.

The next year in Europe and the US will be consumed by fighting the downturn through plant closures, labour shedding, joint-ventures to lower research and marketing costs and even full scale mergers to reduce capacity. US producers, which have in the past questioned their long term future in the steel industry, may be forced to answer, while in Europe there will be additional pressure for cross border restructuring. It will be another very tough year.

Charles Leadbeater

AEROSPACE AND DEFENCE

Casualty of war and peace

THE aerospace industry is bracing itself for another unstable and grim year as it continues to adapt itself to the irrevocable decline in government defence spending and the recession in civil aviation.

Restructuring is expected to lead to more job cuts in the defence sector as manufacturers grapple with the uncertainty of future defence programmes at the same time as they reduce capacity in the face of defence cuts.

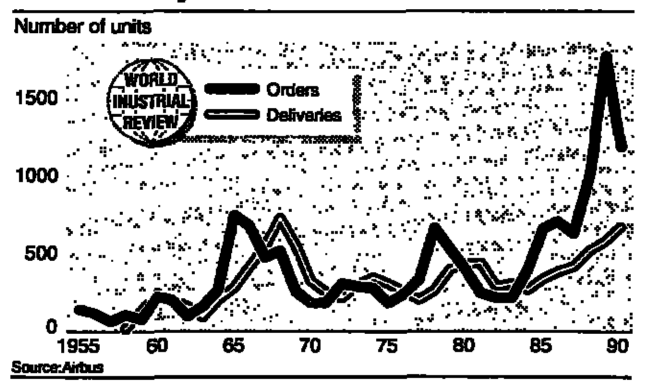
In the US alone, more than 100,000 people were laid off last year and the industry expects a further 36,000 to go this year.

In Europe, the leading defence contractors are all in the throes of restructuring programmes which are likely to be affected by a series of important government decisions this year on the future of several new programmes ranging from the European Fighter Aircraft, the French Rafale fighter and the Swedish Gripen jet, to short range air-to-air missiles and military helicopters.

With shrinking national defence markets, aerospace companies have had to place increasing emphasis on defence export sales as well as on civil aviation. But while the civil airliner market is expected to continue expanding in the longer term, it is still under pressure as it attempts to recover from the post Gulf war slump in air travel.

Commercial jet aircraft

Number of units



Source: Airbus

The leading commercial aircraft manufacturers have all seen new orders drop sharply. Boeing, the world's biggest commercial aircraft maker, booked 252 aircraft valued at $20.26bn last year compared with a record 543 new aircraft orders valued at $47.69bn in 1990. Airbus, the European aircraft consortium, booked 101 new aircraft orders worth $9.4bn last year compared with 404 aircraft orders in 1990.

The financial crisis of many airline customers forced the manufacturers to adjust some of their existing orders and aircraft deliveries. New aircraft orders are also expected to remain under pressure this year because many airlines are unlikely to commit themselves in new fleet renewal and acquisitions until confident of a sustained recovery in air travel.

Aircraft engine makers and aerospace components suppliers have also had to adapt to the recession in civil aviation and defence spending cuts. But like the airframe manufacturers, they remain confident that the commercial side of the business will probably start recovering by the end of this year, although not to the record levels of the late 1980s.

The industry expects to see a significant shift towards airlines buying large widebody aircraft rather than smaller narrow body jets during the next 10 years. Indeed, the market for widebodies and heavy thrust engines to power this new generation of big airliners has become the focus of competition between the leading airframe and engine makers.

All three aircraft manufacturers – Boeing, Airbus and McDonnell Douglas – are developing widebody rivals to position themselves in this growing market. Boeing recently launched its new 777 twin engine widebody to compete against the new Airbus A330/A340 large aircraft and the McDonnell Douglas MD-11 three engine jet.

Boeing, McDonnell Douglas and Airbus are also canvassing airlines over the possibility of building later this decade a new breed of jumbo aircraft. McDonnell Douglas is negotiating a landmark agreement with Taiwan Aerospace to develop its new MD12 high capacity three engine jet, while Boeing is discussing the possibility of developing a new 650 seat version of its successful Boeing 747 jumbo jet family. Airbus has already announced that it plans to challenge Boeing's dominance in the jumbo market by considering the development of a 600 seater airliner in cooperation, perhaps, with a new Asian partner.

All the manufacturers are continuing to scramble to forge international alliances to improve their competitive position on the export market and spread the huge investment costs of developing new aircraft. This is particularly the case at the lower end of the commercial aircraft market where manufacturers are competing to develop new commuter and regional jet airliners.

Efforts to consolidate the industry across traditional national borders are likely to intensify this year as part of the overall restructuring of both the military and commercial aerospace businesses.

France's Aerospatiale and Germany's MBB launched at the beginning of this year their new Eurocopter company merging the two group's helicopter activities. Matra and GEC of the UK have linked their space operations in a new joint venture called Matra Marconi Space which is now seeking to attract other European partners. British Aerospace is actively looking for a new partner for its regional aircraft operations as part of its recovery programme launched last year after a top management crisis saw the resignation of its chairman, Professor Sir Roland Smith. But perhaps the most ambitious partnership under current negotiation is the decision of Taiwan to invest in a stake in McDonnell Douglas's commercial aircraft business.

Paul Betts

CHEMICALS AND PHARMACEUTICALS

At the parting of the ways

THE PATHS followed over the last year by the world's chemical and pharmaceutical industries have diverged markedly, in spite of their common scientific base.

Buoyed by ageing populations and increasingly expensive and sophisticated drugs, pharmaceutical groups have proved inoculated against the insidious slowdown of the world economy. In contrast, the chemicals sector has confirmed its lamentable reputation for being the most cyclical of industries.

Two problems dominate the chemicals sector: the recession and the environment. The industry is making too little money as it makes too much pollution.

The chemicals industry is bleeding cash. The recession and the Gulf war have battered demand for basic chemicals. At the same time, capacity ordered in the boom times of the late 1980s – when even the least efficient plants were profitable – continues to come on stream, increasing competition still further.

The consequent squeeze on margins has been further exacerbated by the increased capital costs required by ever tougher environmental legislation. Complying with environmental legislation is cutting deeply into ordinary capital expenditure. Increasing public and legislative demands for more environmental protection appear unlikely to slacken in coming years.

At the end of last year, German chemical companies complained that new taxes on emissions would stretch the industry to its limits, making Germany too expensive for manufacturing certain types of products.

In Britain, too, environmental spending is set to mushroom. The UK's Chemical Industry Association estimates capital expenditure on the environment will double between 1990 and 1992 from £200m a year to £400m. It is now 25 per cent of all investment. With costs and capacity rising, while demand falls, the descent from profits to loss has been precipitous. There are few signs of an upturn.

Even the German giants, hitherto protected by German reunification, are suffering a slowdown. Mr Wolfgang Hilger, president of the German Chemical Industry Association, warned this month that the German domestic market was likely to stagnate this year and there was no sign of upturn in export markets.

Only in the Far East has demand held up, but capacity there, particularly in the petrochemical sector, looks set to grow rapidly over the next few years as investments by newly industrialised nations come on stream.

The contrast with the pharmaceuticals sector could not have been more marked. Drugs have proved a panacea for those companies trying to escape the roller-coaster ride of the cyclical commodity chemicals business. ICI and Rhône-Poulenc, two groups traditionally involved with basic chemicals, reported profits last year heavily dependent upon the success of their pharmaceuticals business.

For the pure pharmaceuticals companies 1991 was a heady year. Most European pharmaceuticals groups proved the ultimate counter-cyclical stocks, with the sector reporting sales growth averaging 13 per cent over the past 12 months.

But although the pharmaceuticals market remains buoyant, the horizon is not without its clouds. Research and development costs are rising inexorably at the same time as governments are beginning to balk at the ever increasing cost of drugs.

Western governments are grappling with ever increasing healthcare budgets. In Germany, for example, health costs more than 13 per cent of GNP.

Drugs form a significant proportion of such costs and have been designated as easy targets for recession-battered governments. In Germany, pharmaceutical spending represents nearly 16 per cent of healthcare costs, while in Italy and Portugal it represents more than 30 per cent.

Prices are likely to come under increasing pressure in coming years. And the sparkling performance of the pharmaceuticals groups over the last 12 months has not helped their position.

In the US, the world's largest drug market, Senator Edward Kennedy has conducted a vocal campaign to restrain price increases for drugs sold to public health service-funded institutions. A wave of pricing legislation is presently sweeping through Congress questioning the sector's pricing structure.

A debate also opened up last year on whether uncontrolled healthcare costs had not become a full-blown contagion – one that was sapping the nation's competitiveness and standard of living.

It is far from clear whether the pharmaceutical industry's traditional defences – the need to reinvest profits in research and development, and the requirement for a return for the significant risks involved in drug development – will withstand the current political tide.

Outside the US, governments are already attempting to limit drugs expenditure through:

● Lists of products which doctors are forbidden to prescribe or for which patients receive only partial reimbursement.

● Obligatory and direct price cuts.

● Profit controls which insist on a limited return on capital employed.

● Controls on marketing costs.

● Penalising doctors who prescribe excessively.

● Encouraging generic, non-patented, cheaper products.

At the same time, the pharmaceutical groups continue to struggle with the inexorable rise in research and development costs.

Such growth in costs is partly explained by the increasing complexity of new drugs. But it has also been caused by the growth in regulation to test the safety, quality and efficacy of drugs.

Meanwhile, recessionary storms appear to have set in for the duration over the basic chemicals industry. Dark clouds may also be gathering for the pharmaceuticals sector.

Paul Abrahams

Disneyland in France: dropping in from a different culture

MEDIA

Yesterday the world

THE TOP TEN AND THEIR MEDIA REVENUE

Company	Nationality	Revenue 1990	Activity
TIME WARNER	US	$11.5bn	TIME magazine, WARNER film, cable television
Bertelsmann	Germany	DM14.5bn	Books Grüner Jahr magazines., papers
News Corp	US	A$10bn	Newspapers (UK, US, Australia); Fox TV (US) Sky TV (UK)
Capital Cities/ABC	US	$5.4bn	US network TV
Hachette	France	FFr30.1bn	Book publishing in France and US
Sony	Japan/US	$5bn	CBS records/Columbia Pictures
Dun Bradstreet	US	$4.8bn	Data, directories, market research
Paramount	US	$3.9bn	TV/film studio, books
Times Mirror	US	$3.6bn	Newspapers
Thomson Corp	Canada	$3.4bn	Magazines, papers

Figures are for media turnover at last published results. A breakdown of media earnings is not yet available for the Italian group Fininvest run by Mr Silvio Berlusconi; it is a contender for inclusion in the top 10, following its takeover of part of the Italian book publisher Mondadori.

"THE test of the whole global media concept really hangs now on Time Warner. If they can't make it work I'm not sure anyone can."

That is the view of a UK company which set itself up to barter TV programmes to emerging European TV channels, and has become increasingly sceptical that truly global media businesses can flourish in the face of regulatory and cultural differences between countries.

It is right to point to Time Warner, the world's biggest media company, for clues to whether the corporate experiments of the 1980s will be retained or rejected in the 1990s.

Time Warner performed one of the most audacious of those experiments, the $14bn merger of the magazine group *Time* and Warner Brothers film and television studios and cable television. The test of its success will be whether economies of scale and synergies – the "two plus two equals five" factor – will let it pay off its debt of $8.5bn and keep growing.

That hypothesis – that size brought more wealth, and justified high acquisition prices – was behind many of the most flamboyant media deals of the 1980s. But that theory is now under attack, given the spectacular collapse of some of the most aggressive wheelers and dealers.

The late Mr Robert Maxwell's empire, now under investigation by the UK's Serious Fraud Office, may have caught the most headlines, but there is no lack of other examples.

Mr Rupert Murdoch's News Corporation has spent two years negotiating with its bankers for its survival; it won their support only by agreeing to sell businesses it had fought to buy just a few years before.

The French giant Hachette, whose ambitions led it to leap the Atlantic and take over US encyclopedia publisher Grolier at the end of the 1980s, now finds its room for manoeuvre tightly circumscribed by debt, while some of its investments such as the failing French TV channel La Cinq continue to inflict damage to its profits.

An informal poll of finance directors of large US and UK media groups, who are now surveying the wrecks of some of the 1980s empires in search of bargains, produces the consensus that prices for acquisitions are finally falling.

At the start of the 1980s a good magazine group would typically fetch a price of 10-15 times post-tax profits in the UK – slightly higher in the US because of differences in accounting for profits. However, by 1986-1988, the peak of the acquisition boom in media, those prices had more than doubled, partly driven by the availability of finance: banks were keen to offer credit, leveraged against what they saw as unshakeable, advertising-driven cashflow.

According to media finance directors, prices have now fallen sharply to levels only slightly higher than the early 1980s.

The spectacle of failure on a grand scale is not the only reason for the change: media companies and their bankers have been firmly reminded by the past few years that there is no natural law that says advertising must keep growing.

Advertising – the revenue that drives television, newspapers, magazines, and most media – apart from book publishing – grew faster than the US, UK and French economies for most of the 1980s.

Advertising agencies notably Saatchi & Saatchi, the UK-based company that itself came to grief through over-ambitious international expansion, were fond of arguing that advertising was "recession proof" and that advertising budgets were among the last areas of spending that would be cut in an economic downturn.

That argument has been decisively undermined by the US and UK experience in the past two years, when advertising budgets have plunged across most media as economies dipped into recession.

As well as new nervousness about estimating media revenue in a particular country, there is more caution about predicting whether a magazine, book or programme will cross national borders, not just in Europe, where the linguistic and cultural barriers are obvious, but within the English-speaking countries too. Media corporate financiers on Wall Street say that banks are using less ambitious assumptions about foreign sales in valuing back catalogues of book, pop music, film and TV companies.

Some media companies are tentatively returning to the bids and deals market, although the specialist media corporate finance boutiques that sprang up in the 1980s may still find it hard to scratch a living from advisory fees.

Price Waterhouse, the accountancy firm which is handling the dismemberment of Mr Maxwell's Maxwell Communication Corporation under UK insolvency law, reports no shortage of interested bidders once the liabilities of the companies are established.

But the signs are that media acquisitions will be on a more cautious scale than in the 1980s. It is the companies that held back in the 1980s and survived with balance sheets intact who are now reaching for the bargains, such as the UK's Reed International, or Mr Conrad Black, proprietor of the UK's Daily Telegraph newspaper, who recently won control of the collapsed Australian Fairfax group, a pattern that some see as virtue rewarded.

Bronwen Maddox

CARS AND TRUCKS

America takes fright

THE admission by General Motors, the world's largest vehicle maker, that it must scale down its massively loss-making North American automotive operations, has thrown into stark relief the awesome competitive challenges facing vehicle makers in the 1990s.

In the face of losses on its North American vehicle operations estimated by analysts at as much as $7bn last year, GM is being forced to close 21 plants and cut around 74,000 jobs in North America over the next four years.

The GM cut-backs add fuel to the protectionist flames fanned by the prolonged US recession, as pressures grow for legislation to limit Japanese car sales in the US and to force Japan to reduce its $31bn automotive trade surplus with America.

The big three US car makers, GM, Ford and Chrysler, have all been pushed into heavy losses, and the US motor industry is now engaged in an intensive lobbying campaign to force Tokyo to reduce its automotive surplus which accounts for three quarters of the overall US deficit with Japan.

The chairmen of GM, Ford and Chrysler accompanied US President Bush on his recent controversial visit to Japan, a move which pushed the US auto industry's woes to the top of the political agenda.

In order to increase the pressure, the chairmen of the US car makers are urgently seeking a further meeting with the leaders of the Japanese auto industry.

There have also been proposals in the US Congress to restrict the number of Japanese vehicles imported into the US and the numbers of vehicles built in Japanese manufacturing facilities in the US.

North America was the battleground of the world auto industry in the 1980s as the Japanese invested heavily to build an extensive production presence. Now in the face of the prolonged US recession the Japanese challenge has been turned into huge losses for the big three US car makers.

Following the wave of investment in assembly plants in North America in the 1980s – eight in the US and three in Canada – Japanese producers accounted for 24.9 per cent of total US car output last year, increasing their share from 21.7 per cent in 1990.

Car production by the Japanese transplants in the US (including NUMMI, the Toyota/GM joint venture) increased by 1.1 per cent to 1.33m – despite the deep recession in US new car sales – in stark contrast to the 11.7 per cent drop in overall US car output to 5.36m.

Meanwhile, Japanese capacity continues to expand with:

● Toyota spending $800m to almost double its Georgetown, Kentucky plant to 420,000 cars a year by the end of 1993 from 220,000 at present, and

● Nissan spending $490m to virtually double its car and light truck production capacity at its Smyrna Tennessee plant to 440,000 units a year by mid-1992.

The Japanese transplants' total car and light truck production capacity in North America is planned to reach around 2.7m vehicles a year by 1993/94 following an investment of some $7.5bn.

In the 1990s, however, the focus of Japanese competition is moving to Europe, where the spectre of overcapacity, already a reality in North America, looms as the Japanese establish their first wave of transplant (local assembly plant) facilities.

Nissan has been producing cars in the UK since 1986. Volumes were modest at first, but this year output should reach 175,000 cars and will grow to 270,000 in 1993. Later this year production begins at Toyota and Honda's first European car assembly plants – both located in the UK. Mitsubishi Motors is also creating a joint venture with Volvo of Sweden in the Netherlands with the aim of producing 200,000 cars a year by the mid-1990s.

After stumbling in 1991 world car sales are forecast to stage a recovery in 1992. World new car demand is estimated to have contracted last year by 2.9 per cent to 34.4m from 35.5m in 1990, the largest sales reduction since the 1980-81 recession.

However, according to the latest DRI World Automotive Forecast Report, worldwide new car demand will regain the lost ground this year to reach 35.5m. Worldwide new car sales are forecast to resume steady growth through the first half of the 1990s to reach 40.3m in 1996.

While demand is set to recover gradually, car producers and their suppliers still face a daunting array of other challenges through the 1990s. Costly regulations on exhaust emissions are being toughened while regulations governing improved fuel economy and the recycling of old cars appear unavoidable.

Recent regulatory developments in the US virtually ensure that the electric car will play an increasingly important role on the roads of North America, and probably the world, before the end of this decade.

Kevin Done

US AUTO INDUSTRY
January-December

	Volume (Units)	Volume Change(%)	Share (%) Jan-Dec 91	Share (%) Jan-Dec 90
CAR SALES	8,175,000	−12.0	100.0	100.0
Imports	2,104,000	−14.2	25.7	26.4
Japanese makes	2,472,000	−4.4	30.2	27.8
-of which US-built	1,124,000	+6.0	13.8	11.4
European makes	339,000	−26.0	4.1	4.9
Japanese derived*	2,945,000	−5.3	36.0	33.5
CAR PRODUCTION	5,365,000	−11.7	100.0	100.0
-of which Japanese US-built†	1,334,000	+1.1	24.9	21.7
CAR SALES BY MANUFACTURER:				
General Motors	2,909,000	−12.1	35.6	35.6
Ford	1,636,000	−15.8	20.0	20.9
Chrysler	703,000	−18.4	8.6	9.3
Honda/Acura	803,000	−6.0	9.8	9.2
Toyota/Lexus	742,000	−4.8	9.1	8.4
Nissan/Infiniti	413,000	−7.4	5.0	4.8
Mazda	222,000	−1.8	2.7	2.4
Mitsubishi	162,000	+8.3	2.0	1.6
Hyundai	118,000	−14.4	1.4	1.5
Volkswagen	92,000	−29.3	1.1	1.4
Volvo	66,000	−24.7	0.8	1.0
Mercedes-Benz	59,000	−24.9	0.7	0.8
BMW	53,000	−16.2	0.7	0.7
Saab	26,000	−1.1	0.3	0.3
Audi	12,000	−41.8	0.2	0.2
Jaguar	9,376	−49.9	0.1	0.2
Porsche	4,388	−52.0	0.1	0.1
Alfa Romeo	3,478	−0.1	0.0	0.0
Yugo	3,092	−51.4	0.0	0.1
LIGHT TRUCK SALES	4,159,000	−9.4	100.0	100.0
Imports	713,000	−5.6	17.1	16.4
TOTAL CAR&LIGHT TRUCK SALES	12,336,000	−11.2	100.0	100.0
General Motors	4,320,000	−12.5	35.0	35.5
Ford	2,867,000	−13.6	23.2	23.9
Chrysler	1,508,000	−11.2	12.2	12.2
Toyota/Lexus	1,010,000	−4.5	8.2	7.6
NORTH AMERICAN CAR & TRUCK PRODUCTION	10,722,000	−8.9	100.0	100.0
-of which Japanese Nth.Am.built†	1,858,000	+7.2	17.3	14.7

*Includes Japanese makes plus Japanese derived cars sold under GM, Ford & Chrysler badges, imports and US-built.
†Includes US/Japanese joint ventures managed by Japanese producers.
Source: Automotive News.

WORLD INDUSTRIAL REVIEW 4

TELECOMMUNICATIONS

On a triple springboard

Moods of the moment: a veteran employee at Scotland's doomed Ravenscraig steelworks. . . .

THE telecommunications sector is still growing, despite the world recession. Profits of many telephone companies have continued to increase - albeit at a slower rate than before - the volume of telephone traffic is rising, investment is up and new services are mushrooming.

Three principal factors lie behind the market's continuing dynamism:

● First: The industry is in the midst of a far-reaching reorganisation as national state-owned telephone monopolies try to turn themselves into globally-competitive operators. Globalisation itself is being spurred on by the fact that governments are increasingly privatising their state-run telephone companies and subjecting them to competition.

● Second: new technology is reducing costs, improving efficiency and expanding the range of services that can be offered to customers. The widespread introduction of fibre-optic cable and digital exchanges has laid the ground-work for the modern telecommunications infrastructure.

The increasing intelligence of networks combined with advances in radio and semi-conductor technology have also played their part.

The most explosive growth continues to be in mobile communications, in particular cellular, and data communications, which is being spearheaded by the facsimile machine, and the personal computer.

● Third: developing countries and the nations of the former Soviet bloc are now trying to make up for decades of under-investment in telecommunications. There is a growing appreciation that they cannot participate in the modern world economy unless they can communicate effectively, both domestically and internationally.

Most Third World and eastern European governments have recently adopted crash programmes to increase the number of phone lines in their countries. However, there is considerable doubt over whether they will be able to find the funds needed for the massive investments planned.

The world telecommunications services market was worth $279bn in 1990, up from $175bn in 1986, and is forecast to reach $567bn in 1995 by the Telecommunications Research Centre, the UK-based industry analyst. Meanwhile, the global equipment market has grown from $88bn in 1986 to $127bn in 1990 and is forecast to reach $169bn in 1995.

The liberalisation of telecommunications markets is now fairly well established in the US, the UK, Japan and a number of other smaller countries. These countries allow competition in the full range of telecommunication services, including the basic telephone service.

The European Commission is due later this year to examine whether competition in the basic phone service should be required across the Community. In most developed countries there is already competition in mobile and data communication services.

The one area of the telecommunications market which has proved particularly resistant to competition is the provision of international telephone services. These have traditionally been provided by national monopolies, co-operating with one another in a series of cartel arrangements.

Even here, though, change is coming. The US regulatory authorities, the EC and a number of national regulators are trying to reform the cartel practices and international call charges have already started to fall.

Governments have been keen to privatise their telephone monopolies, partly in order to promote efficiency and partly to attract greater investment. The latter reason has been a prominent feature of Third World privatisations.

The trend towards globalisation has had three main manifestations:

● First: the acquisition of stakes in newly-privatised telephone companies. The US "Baby Bell" operators have been particularly prominent in this area.

● Second: establishing "green field" operations in basic telephony, cable television and mobile communications. Earlier this year, for example, American Telephone and Telegraph formed a joint venture to build a network in the Ukraine, while Nynex, one of the Baby Bells, is close to finalising a deal to build a network in Bangkok, Thailand.

● Third: the formation of international partnerships with the aim of catering to the global telecommunication needs of multinational business customers.

Last year, BT, previously British Telecom, tried to persuade Germany's Deutsche Bundespost Telekom and Japan's Nippon Telegraph and Telephone to join its US-based Syncordia partnership.

Meanwhile, AT&T has held extensive negotiations with the UK's Cable and Wireless about collaborating extensively across the globe.

So far, nothing has materialised in either BT's or AT&T's case. But international partnerships are expected to be an important feature of 1992.

Hugo Dixon

MACHINES AND TOOLS

Degrees of discomfort

Sign of the times: equipment for sale due to insolvency

IT REQUIRES a Roget's Thesaurus, opened at the entry for "poor," to describe current conditions - and immediate prospects - in world markets for the mechanical engineering and industrial equipment industries.

Depending on the industry and the market, business can be flat, uncertain, weak, bad or downright dreadful. All too rarely, and for too few companies, can markets be described positively, and the remaining pockets of resistance against the general trend can hardly be deemed buoyant.

"The machinery business is bad, but not awful, at least outside the UK," said Mr Edward Hadas of Morgan Stanley in a recent research note. "In the US, demand has not picked up, but has at least stopped declining. In Asia, not an important market for most European companies, the trend is down, but not (yet) sharply."

In Europe, says Mr Hadas, sales are weak in most places outside Germany, but generally not declining any more, although Italy and Spain could be exceptions on the negative side. German demand, fuelled by reunification, had been "incredible," but has now fallen back into the credible range.

Elsewhere, sales into eastern Europe and the former USSR have dropped to virtually nothing, he says, while the Middle East has not yet recovered from the Gulf war, although the latest signs from the region are more encouraging.

Inevitably, there are exceptions to the general picture presented by broad reviews of current business conditions.

Even in the UK, which has sunk into a recession in manufacturing of unequalled severity, oases in a sea of gloom can be identified.

The machine tool industry, producer of the basic metal-cutting and forming machines used in manufacturing, is a case in point. A recent survey for Machinery magazine on sophisticated computer-numerically controlled (CNC) machine tools indicated a potential fall of more than 40 per cent in 1990/91 volume sales to the automotive sector, yet sales to the electrical/electronic sector may have grown by 21 per cent.

Giddings & Lewis, the US machine toolmaker, is doing relatively well selling to the North Sea oil sector, but it has been a grim year for many machine tool producers dependent on the UK market.

Similarly, in continental Europe, the few machine tool builders to reveal financial results are awash in red ink. Maho, the German milling and turning machine maker which is one of Europe's biggest producers, plunged to a DM17.3m net loss for the year ended June, against a DM14m profit previously.

Even Japan's Yamazaki, the world's largest producer of CNC machine tools, is feeling the pinch in many export markets, but is big enough to take the knocks of a cyclical business while hardly flinching.

Another industry taking a hammering is construction

World construction equipment sales

Thousand units

Source: The Corporate Intelligence Group, London — Est Forecast

equipment. Worldwide unit sales of the seven main product types slumped from around 200,000 in 1979 to 130,000 in 1983, and then began a slow climb to nearly 160,000 by 1989. But the recession, notably in the US and the UK, has prompted a renewed fall to below 140,000 units.

Little wonder, therefore, that the big players in the construction equipment industry are scrambling for a good position in Germany, where market prospects have been transformed by reunification and the subsequent infrastructural investment. Corporate Intelligence Group, the London-based analyst, says the eastern market grew by 200 per cent in 1991, with perhaps a further 15 per cent increase this year.

Caterpillar of the US, Komatsu of Japan and VME, the joint venture between Volvo and Clark Equipment, have all made acquisitions or joint venture arrangements with western German construction equipment companies to exploit the new environment. Local equipment suppliers such as Krupp and Liebherr have also moved smartly across the old border.

The German effect is also at work in the agricultural equipment business, where the large eastern farms offer good long-term prospects to the big producers such as N.H. Geotech, Massey-Ferguson, J.I. Case Europe and Deere.

Elsewhere in Europe, however, structural problems associated with the Common Agricultural Policy, and general recessionary factors, give little room for optimism. The US agricultural equipment market, which went through the wringer in the 1970s, is now steadier, but elsewhere equipment manufacturers are frustrated by a painful fact of life: Third World countries that need equipment most urgently have little money to pay for it.

Amid all the gloom, however, it is important to remember equipment industries which operate on very different business cycles. Infrastructural spending is often immune to short-term economic factors, and power generating equipment producers are one group currently prospering from growing demand in the western world for new, cleaner generating methods. Meanwhile, ambitious power station programmes in China and elsewhere in Asia continue to underpin demand for coal-fired stations, while in eastern Europe there is likely to be plenty of work for western companies retrofitting Soviet-designed nuclear power stations.

One curious aspect, at least prima facie, of the general downturn over the past year is that it has not generated a rash of big mergers. A strong underlying trend of restructuring in Europe - ahead of the Single Market - continues, but it seems most of the mega-deals prompted both by the 1992 effect, and by overcapacity in the heavy equipment sector, are now completed in good time for the implementation of the EC reforms.

The completion in mid-1991 of the merger of Fiat and Ford's agricultural and earth-moving equipment interests to create N.H. Geotech, was the only mega-deal of 1991 for which global strategic factors were the prime motivator. Although grand strategy played a part in three other deals - the takeovers of Davy, Hawker Siddeley and Alfa-Laval by Trafalgar House, BTR and Tetra-Pak respectively - special circumstances dominated.

In construction equipment, there has been an encouraging trend of realistic deals between Japanese and European producers which recognise that each side has its strengths. JCB, the fiercely independent UK producer, has announced a significant joint venture with Sumitomo Construction Machinery to attack the European crawler excavator market.

A similar deal pooling Japanese - and US - technology with European distribution strength could be announced very soon between Deere, Hitachi Construction Machinery and Fiat. The deal would create a new European giant and leave N.H Geotech to concentrate mainly on farm equipment - it will retain the Ford New Holland skid steer loader and backhoe loader line.

What of prospects for the short- and long term? Clearly, the immediate outlook is weak: in the UK it could be 1993 before some machinery markets recover, and the US economy seems stuck between recession and growth. Rising interest rates and warnings of recession in Germany cannot be dismissed lightly.

Longer-term, there is more reason for optimism. Industrial growth prospects in the Pacific Rim may waver occasionally, but the trend line is firmly upwards. The heavy capital investment required to rebuild eastern Europe's industries and businesses, along with the continuing investment needs in western Europe, ought to get the machinery sector moving in the mid-1990s, if the politicians can find the money.

Andrew Baxter

CONSUMER ELECTRONICS

When the spending stopped

. . . . and Tokyo stock dealers during a brief share slide

THE heady growth of the 1980s for the consumer electronics industry has come to a screeching halt. The prolonged recessions in the US and the UK, along with the slowdown of the Japanese economy, have put a drag on the industry.

But, just as important, electronics companies have hit a gap in the product development cycle. The big mass-market products of years past such as video tape recorders or Walkman-type cassette players have already found their way into homes everywhere and sales have slowed down. Video recorder sales are actually going into reverse in many of the big markets.

One of the few bright spots is the brisk sales of 8mm hand-held video cameras, developed by Sony. Sales of the tiny video cameras has taken off following repeated reductions in size and weight, along with steady improvements in quality.

Profits at electronics companies have been hit hard in the Far East and in Europe.

The travails of the European consumer electronics industry are well established.

Philips, the Netherlands based group which is Europe's leading consumer electronics group, is widely expected to emerge this year from a sustained bout of cost cutting imposed by Mr Jan Timmer, the company's president. He has taken Philips into important joint-ventures with Japanese producers to help to develop the next generation of products as well as taking the company out of some areas such as the loss making mini computer division.

The other leading European groups such as Thomson of France and Nokia of Finland are also under pressure to cut costs and find partners to help to shoulder rising research and development costs.

Far less familiar are the across the board cuts in capital spending in the Japanese industry which have become the rule of the day. Sony, one of Japan's most aggressive and innovative companies, this year is likely to cut spending by 30 per cent in the year starting in April. Its mid-term profits to the end of September were down 26 per cent.

Sony and Matsushita Electric Industry are also suffering from their expensive purchases of US film producers. Sony paid $3.4bn for Columbia Pictures just over two years ago, while Matsushita bought MCA for $6.1bn in December 1990. With the US industry going through a slump, the financial gains from these acquisitions have been extremely elusive.

While interest in hits of the past has lagged, products of the future - especially high definition television - have been maddeningly long in coming. HDTV produces a significantly higher picture quality, approaching but not matching cinema projection, by increasing the line count on television monitors.

Japanese electronics companies such as Sony and Matsushita Electric Industrial have spent hundreds of millions of dollars developing manufacturing facilities for HDTV.

HDTV broadcasts were expanded in Japan last November to 8 hours a day, but with the price of a large picture tube needed to appreciate the higher quality of HDTV and the electronic decoding equipment still costing about Y4m ($32,500), and programme offerings comparatively paltry, sales have been scant.

Meanwhile, the Japanese companies have formed two separate development groups jointly with a number of US companies and with Philips of the Netherlands in order to share the huge costs of developing sets of semiconductor chip sets that will reduce the size, complexity and the cost of making HDTV equipment.

The appearance of these groups amounts to an admission that the risks of going it alone have become prohibitively high. The Japanese are also aiming to ease trade friction with the US, which has complained about the exclusion of US semiconductor companies from the Japanese electronics industry.

Beyond this, the electronics companies are struggling to develop concepts for a new generation of hit products that will re-ignite the growth which the industry has enjoyed for decades. Many focus on the still nascent concept of multi-media - interactive devices that combine high quality audio-visual functions with computing capability.

Sony has launched with modest success a forerunner of multimedia with its Data Discman - a hand-held compact disc player that displays reference books on a flip-up LCD screen. The Data Discman can display simple illustrations and pronounce dictionary entries. The product, already launched in Japan, the US, and Germany, will reach the UK in the spring.

Philips has already launched its CD-I (compact disc interactive, developed jointly with Sony), to mixed reviews. The machine allows users to call up moving pictures, CD-quality sound, and text from a CD. But it appears so far to lack the applications software needed to turn it into a hit product.

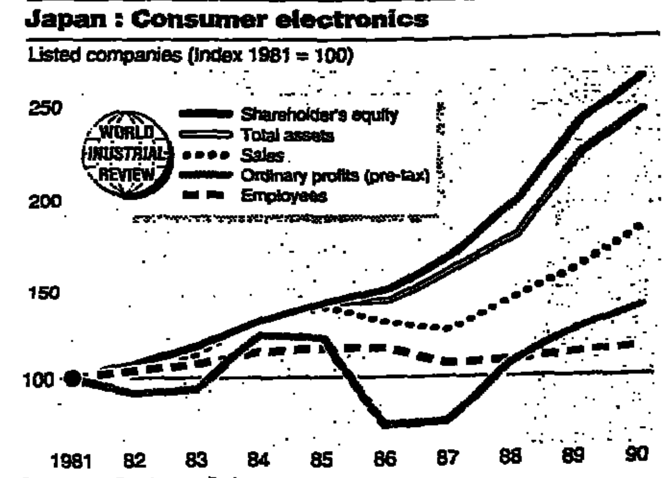
Attention is now focused sharply on how to use CD-ROM (read only memory) technology to design products. Many specialists, for example, believe that CD drives will soon become standard equipment on personal computers.

Sony is teaming up with Apple Computer to design a new generation of hand-held multi-media computers. Sony believes that the personal computer and audio-visual industry will gradually become indistinguishable. From a technological standpoint, this is likely to be true. The biggest uncertainty facing the industry, however, is whether consumers will go for the fancy machines and prices dreamt up in research laboratories.

Steven Butler

Japan : Consumer electronics

Listed companies (index 1981 = 100)



Source: Japan Development Bank

TARIFFS AND TRADE

The enduring obstacles

EASTER, 1992, has now become the latest in a long list of "final" deadlines in the seemingly interminable Uruguay Round of multilateral talks aimed at liberalising world trade and preventing the growth of protectionism.

But even after five-and-a-half years of negotiations the unresolved issue of farm subsidies could still wreck them. Failure to reach agreement might not, by itself, have an immediate impact on the growth of world trade and of the global economy. But it could strengthen trends towards protectionism, bilateralism and managed trade.

The current round is the eighth conducted since 1948 when the General Agreement on Tariffs and Trade (Gatt) came into force. And it is by far the most ambitious as for the first time it has covered for first time sectors such as agriculture, textiles, investment, services and intellectual property.

Since September, 1986, when the new round of Gatt talks was agreed upon at Punta del Este, Uruguay, the negotiations have been whittled down from 15 specific topics to seven. The talks have proved detailed and complicated and several "final" meetings have taken place.

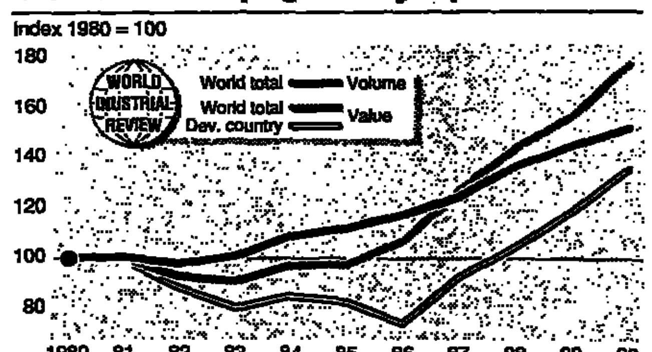
Their complexity was in part forced on Gatt. The seven previous rounds had reduced the tariffs on the manufactured products of the major industrial markets from around 40 per cent to an average of 4.7 per cent. If Gatt, which now covers 103 countries, was to remain, despite the changing nature of world trade, global in its rule-making, it had to broaden its scope and tackle new areas.

Agriculture - especially the dispute between the European Community and the US over support for farmers, market access and export subsidies - has been the main stumbling block. Already, this has crippled the mid-review of the Round in Montreal in December 1988, stalled the "final" meeting in Brussels two years later, and caused the end-1991 deadline to be missed.

On January 13, the participants in the Round agreed that the proposals made before Christmas by Arthur Dunkel, Gatt's director-general, should be the basic document for further talks leading to a final agreement by mid-April. But the EC still maintained strong objections to the section on farming. It remains to be seen whether a successful conclusion will be reached as scheduled.

World and developing country exports

Index 1980 = 100



Source: GATT

Since Gatt came into operation, world trade has acted as one of the primary engines for the growth of world output. Annually, almost without exception, the growth rate of the former has exceeded that of the latter. According to Gatt, between 1960 and 1970, the volume of merchandise trade grew at an annual average of 8.6 per cent while output grew at 6 per cent. The rates have slowed: for 1970-80 to 5.3 per cent against 3.8 per cent for output; and in the 1980s 4.2 and 2.7 per cent.

In the most recent decade, these rates have been unevenly distributed. In Asia, trade in goods and services rose by an annual average of 7.7 per cent and Gross Domestic Product by 5.4 per cent. In other areas, the rates have been: north America 5.7 and 2.8 per cent; western Europe 4.2 and 2.2; Latin America 2 and 1.6; and in Africa, the exception to the pattern, -0.3 and 2 per cent.

Exports of merchandise trade grew between 1980 and 1990 by an annual average of 5½ per cent to reach $3,485bn in 1990 (up 13 per cent that year), while trade in commercial services, which expanded over the decade at the faster pace of 7½ per cent, reached $815bn in 1990. That was up 17 per cent over the previous year and accounted for 19 per cent of all world exports.

The distribution of merchandise trade (based on the value of exports and imports) was: western Europe 46.5 per cent, Asia 21.9; north America 16.5; central and eastern Europe and the Soviet Union 5.2, Latin America 4, the Middle East 3.3 and Africa 2.6.

With some justification, Gatt, whose contracting parties account for about 90 per cent of world trade, can claim much credit for providing the impetus for the growth in world output.

Through eight rounds, it has preached its gospel of multilateral trade and most-favoured-nation status, which obliges each signatory to the Gatt to grant the same treatment to all other members on a non-discriminatory basis. It has evolved regulations which it has tried to enforce through its adjudicatory disputes panels and complaints procedures.

But other factors must be acknowledged. The remarkable growth in communications and transport and the fall in their costs have helped to expand the transnational production of manufactured goods. The international lowering of investment barriers and the integration of financial markets have also influenced considerably the growth in global trade and output.

As the blocks solidify they will become more exclusive and prone to protectionism

At the same time, these features have also contributed to growing bilateralism and regionalism with the risk of an increasing disrespect for Gatt's rules.

These trends were apparent even before the farm dispute thwarted the Uruguay Round's progress and must be seen as protection against the effects of the Round failing.

The EC's single economic market in 1993 is the most obvious and mature example of regionalism. But in America, the 1989 Free Trade Agreement (FTA) between the US and Canada is being expanded to include Mexico; in Latin America and the Caribbean, there are four regional blocs either formed or in the offing. In the Far East, the Association of South East Asian Nations (Asean) - and Malaysia's Dr Mahathir Mohamad in particular - is trying to set up an economic group which might include Japan, Hong Kong, Singapore, South Korea and Taiwan.

Bilaterally, the US has 16 "framework" agreements in Latin America and one in Singapore which could be the basis for FTAs. President Bush's visit this month to Japan was a notable example, of the US trying to manage trade on a bilateral basis.

In the short term, these arrangements might only confirm and institutionalise existing trading patterns, like those between the EC and the European Free Trade Association within the still-unratified European Economic Area.

But as these groupings become more established and in the absence of a firm international regulatory body, be it Gatt or its mooted successor, the Multilateral Trading Organisation, they will become more exclusive and resort increasingly to such protective mechanisms as anti-dumping actions, countervailing duties and, in the case of the US, the retaliatory Super 301 provisions of the 1988 Trade Act.

If the Uruguay Round fails, those countries with protective statutes will be best insulated. By contrast, developing countries, especially in Africa, which account for more than two-thirds of Gatt's membership, will be especially vulnerable.

In the short term, the growth of world trade and world output will be governed more by global recession than the presence or absence of Gatt regulations.

But, according to the findings published in The World Economy of December 1991, a minimalist "face-saving" outcome to the Round would benefit world trade by $118.7bn, while a "comprehensive" agreement would produce benefits of $262.5bn.

This is what is at stake if no successful conclusion is found by Easter. Thereafter, protectionist trends will be stimulated by the US congressional and presidential elections in November. The EC's attention will be on 1993.

Against this background, the Uruguay Round will be seen as a [illegible] holding operation against the resurgence in world [illegible] bilateralism and [illegible]

Anthony [illegible]

7

THE PROPERTY MARKET

The new centre of discontent

By Vanessa Houlder

The shopping centre developers who laid their plans in the balmy days of the 1980s consumer boom are opening their malls in an arctic climate. For every centre which is performing better than anyone dared to hope, there is one staring failure in the face. Even those centres – a majority – which will succeed eventually are struggling to find tenants.

Mr David Watt, a director of Debenham Tewson & Chinnock, property advisers, says that many schemes may take 30 months to let, and even then the developer will not make any money.

The outlook for one in 10 of the new schemes is even worse. "The very worrying cases are those which are not getting up to 60 per cent let. Are they going going to be white elephants?" he asks.

Developers cannot afford to allow their malls to stand half empty. They can easily get locked into a downward spiral when a lack of tenants breeds a lack of customers and thus mounting difficulties for the dwindling numbers of remaining tenants.

The recession, combined with the large supply of new space, is forcing landlords to compete for tenants which they would not have even considered in better times.

Retailers are being offered £50-£100 per sq ft or more as an incentive to open shops. A new generation of niche retailers – such as cosmetics retailer Body & Face, Haagen Dazs, the ice cream maker, and tea and coffee seller Whittards of Chelsea – are expanding on the back of the incentives, prime positions and keen rents offered by developers.

The capital contributions from developers can give the newcomers an enormous advantage over their predecessors, many of whom had forced up rents in their feverish competition for space in the 1980s. "We used to have space bandits, now we have capital bandits," says Mr Graham Chase of Clive Lewis, chartered surveyors.

But the trend towards giving up-front capital incentives presents dilemmas for landlords. Is it worth paying a retailer to set up shop, if there is a risk that it will not be able or willing to stick with a 25-year lease?

"There are circumstances where pulling in tenants even if they are only there for a year is a worthwhile exercise. It puts some life in the centre," says Mr Stan Perry of Eagle Star, the insurance company. Eagle owns the Alhambra in Barnsley, northern England, which has let about one in 10 of its shops since it opened in October, excluding its anchor store, the Co-op.

Agents and tenants report that developers are becoming less willing to provide capital contributions. In some cases, this is due to their own financial pressures. In others, it is because they have become disillusioned with their fledgling tenants.

From a standing start in November 1990, Creative Crystal, a gift retailer, opened 30 shops last year in shopping centres throughout Britain. Half these shops now stand empty and the company is struggling for survival. "We are teetering on the brink," says Mr Arthur Brown, a director.

Creative Crystal's rise and fall is as much a measure of the state of the shopping centre market as it is of the recession. The company admits that it would not have expanded so fast without incentives. And with hindsight, it believes it should have moved at a slower pace.

It is not alone. Mr Brown can point to four other undercapitalised independents which are in a similarly precarious position after rapid expansion.

Most struggling shopping centres will batten down the hatches and ride out the storm. But what will happen to those that do not make the grade?

One possibility is a change of use. Sibec's failed Winter Gardens development in Southport, Merseyside, has been bought from the receiver by Safeway, the grocery superstore. Safeway is seeking permission to build a superstore on the site.

Another prominent example of change of use is Tobacco Dock, the shopping centre which was built in an old tobacco warehouse in the London docklands. Being well off the beaten track, it failed to attract enough shoppers and went into receivership in 1990. The receivers are hoping to complete a sale to Mr Paul Kempin, a Leicester-based investor, who wants to turn it into a tourist destination with a "sea life centre".

In some cases, a change of ownership may be enough to revive a centre. A pension fund may be hampered by its reluctance to treat an investment as a business requiring active management. A entrepreneurial landlord who is prepared to bully tenants into paying their rents and help them attract trade may get better results.

The most striking example of this is the Trocadero in London's Piccadilly, which was built by Electricity Supply Nominees (ENS) as an upmarket shopping mall on the advice of Richard Ellis, the surveyors, which ENS subsequently sued.

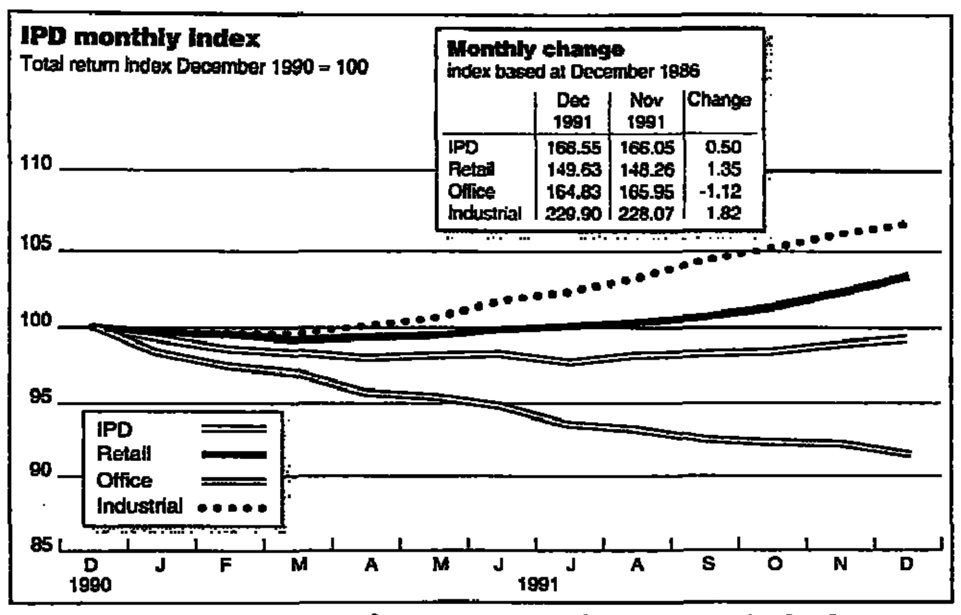
The Trocadero's fortunes and rent roll increased sharply when Brent Walker and Power Group, a property company, bought it and the adjoining island site from ENS for £105m in 1987. (The site was valued at an eyebrow-raising £250m at the end of 1989.) The new owners took the Trocadero down-market in a way that had been barred by ENS's trustees.

Are the developers of this crop of disasters to blame? Or are they merely victims of an unforeseeable change in circumstances? In Mr Watt's view, the problems largely date back to the unusually buoyant conditions of the consumer boom. "Developers did their homework in a snap-shot," he says.

The developers were egged on by the retailers. Obsessed by expansion, they started to look at towns with populations as low as 20,000. Now the credit-led spending bubble has burst, the centres' catchment area may be too small to sustain profitable stores. Similarly, stores built in large towns that already have a centre, face too much competition for comfort.

But unlike previous gluts in retail property, only in a minority of cases is the poor design of centres to blame for their failure. Mostly, developers have learned from the poor location, layout and appearance of some of the 1960s shopping centres.

Even the worst of this current crop of shopping centres is an improvement on Birmingham's Bull Ring or London's Elephant & Castle – the most enduring eyesores of the 1960s.



Monthly change
index based at December 1986

	Dec 1991	Nov 1991	Change
IPD	168.55	166.05	0.50
Retail	149.63	148.26	1.35
Office	164.83	165.95	-1.12
Industrial	229.90	228.07	1.82

Uncertain end to 1991

Last year ended on a note of uncertainty with falling rents and a reversal in the yield improvement of the previous two months, according to the latest figures from the Investment Property Databank, a research group.

Total returns to the monthly index of the IPD failed to climb back to positive figures after a poor month for office property in December. The sector was doubly hit with one and a half points off both rental and capital values.

The 1991 All Properties total return figure of -0.8 per cent concealed continuing short term volatility and large variations between sectors, with offices returning -8.4 per cent and industrials 6.9 per cent over the 12-month period.

The pattern of sector returns remained unchanged throughout the year. Industrials showed the highest returns and offices the lowest. Rental values fell in all three sectors, while capital growth and total returns continued to improve, albeit fitfully.

The total return in the retail sector fell slightly from the previous month's peak level. Retail property was the only sector to show positive rental growth in December, although yields moved outwards pushing the end year yield up from 8.6 per cent to 8.8 per cent.

Office property rents dropped by 1.3 per cent, resulting in the sector's worst ever quarter of -3.2 per cent and year-on-year at -9.1 per cent. Yields appear to have stabilised at around 9.7 per cent.

Industrial property produced a total return for 1991 of 6.9 per cent. The year-on-year rental value growth has fallen to -0.5 per cent.

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- 11 employees
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- Leasehold premises in [illegible]
- Turnover for 1991 over £700,000
- Substantial organisations and blue chip customers
- 7 employees
- Good local presence

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Kenteel Limited
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* Earls Court, London
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ARTS

Fauré's Requiem

QUEEN ELIZABETH HALL

Tuesday's Fauré Requiem was given by the Orchestre Révolutionnaire et Romantique, (fancy name!), the Monteverdi Choir and a group of boy choristers from Salisbury Cathedral under John Eliot Gardiner. In itself it proved so complete an experience, so transportingly beautiful, so fully committed to communicating the substance of this extraordinary masterpiece, that one almost forgot an important point was being emphasised thereby.

Fauré's original form of scoring for the work, for chamber forces, was highly personal and imaginative; but it was disapproved of by his publishers and eventually suppressed in favour of the familiar later one for large forces more conventionally disposed. In recent years there have been several attempts at reconstruction of the chamber Requiem (followed by notable recordings); this latest had the benefit of a new edition (soon to be published) by the leading Fauré scholar Jean-Michel Nectoux, along with the Roger Delage, which draws on autograph material found at the Madeleine in Paris.

It is wholly convincing in vocal and instrumental layout, more so (I think) than any previous effort of Fauré rediscovery. Hearing the Requiem this way exposes with new potency of impact and intensity of detail the singular, unrepeatable greatness of its artistic conception. Too often, in all but the most stylishly disciplined of "traditional" performances, one feels the musical invention being swamped by the sound, or else the players and singers being tethered to a semi-perpetual level of polite mezzoforte in order to allow a balance of parts to be maintained.

The fewer the participants, the greater the possibility for keen, pointed musical attack, for unfettered involvement and a wide range of dynamics in all the lines – and the greater the expressive power to be tapped from the notes.

Gardiner understands the power of those notes. His reading, underpinned by a cleanly purposeful rhythmic tread, lightly floated in its melodic lines, entirely free of both churchy sentimentality and musicological piety, was a marvellous example of this conductor's interpretative art. The economy and intimacy of the music, its capacity for saying so much, so deeply, with so little flounce or excess verbiage, seem his natural territory; the sound of the performance and the sense of the music were made inextricable.

The choice of soloists – the admirably grave but unpompous Swiss bass-baritone Gilles Cachemaille and Catherine Bott the bright, true soprano – was part of the same process. It goes without saying that a chamber-sized Requiem places an added burden of accuracy and control on its executants, which all here shouldered with unarguable confidence and authority.

The first half was a spread of wonderful French *a capella* choral music, by Saint-Saëns, Debussy and Poulenc (Un *Soir de neige* and the shattering Figure humaine), wonderfully delivered by the Monteverdi Choir. Altogether, this was a concert of exceptional richness.

Max Loppert

Drawn back to Mantegna

Patricia Morison recommends some scholarly fun at the RA

A fortnight ago, fresh from *Andrea Mantegna* at the Royal Academy, I described it is a "miracle" of an exhibition. (Less understandably, I sited Mantua on Lake Garda and not on the lagoon, for which aberration, *mea culpa*.) I also noted that museums could only have justified the loan of so many exceedingly precious paintings, drawings, and prints by this late 15th-century master, on the grounds that this was an exhibition with a heavyweight scholarly agenda. In other words, it was not going to be enough for the general public to have a perfectly lovely time. The experts, too, would have to have their field day.

If I have a (mild) criticism of this wonderful exhibition it is that the general public could well miss out on the scholarly fun. It is as though two feasts of Mantegna are set before us in the Academy. Self-service is, of course, delicious, and costs £4.00 for the entry fee. However, the "menu-cards" – the labels and the printed room-by-room guide – might have done rather more to convey the novel and, it should be said, speculative view of Mantegna's art which lies behind this exhibition.

The only hint the casual visitor will have that this is a controversial exhibition, is the innocent little phrase, "here attributed to Mantegna himself", which crops up notably often in the guide. Finding out what *that* involves leaves you no choice but to up-grade from self-service to high table Mantegna. The cost is £22.50 for the highly informative catalogue – and a long morning's read.

What, then, seems to be the new view of Mantegna? Most strongly it comes out in the exhibition's magnificent prints and drawings. In most Old Master exhibitions, the room set aside for works of art on paper is the one which visitors with aching feet will bypass. This time, it is virtually impossible to take a painting-centred view of the artist.

Collaboration between the Academy's lighting technicians and conservators have made it possible for prints and drawings to be hung beside the paintings to which they relate. This technical achievement has the effect of letting us see the world as if through Mantegna's two pairs of spectacles. There was the world he strove, with obsessive care, to image in colour. But that same world he also had the vision, as no one had ever done before, to image in black and white.

David Landau, who has curated the prints, is also chairman of the exhibition's steering committee and was responsible for the initial idea for a major Mantegna show, conceived after mounting an exhibition of the artist's engravings at Christ Church, Oxford, in 1979. Landau is not only a print scholar and editor of *Print Quarterly*. More surprisingly, he is also joint managing editor of *Loot*, London's free advertising newspaper. This makes Landau an amateur among the art-historians, a status he values highly. "I have the freedom to say what I think. People in academe and museum worlds will be more cautious, because they have got a lot to lose."

Landau's views on Mantegna as a printmaker emphasise how extraordinary it was that the artist in his 30s and busy painting the Camera Picta in Mantua, decided to experiment with engraving on copper. The technique was then in its infancy, and was used principally by German artists for small, cheap devotional images, playing cards, and the like. Mantegna, however, did not see engraving as a technique merely to multiply images mechanically. At this stage in his career he was well-enough funded by the Gonzagas not to bother with that. He looked at Donatello's bronze reliefs, and at his beloved antique carved gems and cameos of antiquity, and saw that it would be possible to create a work of art using black, white and greys to express tone and volume. It was, comments Landau, "a tremendous leap in our visual culture".

There is no evidence Mantegna actually incised plates himself. However, Landau's study of engravings by Mantegna and his workshop leads him to add four to the canonical list of seven made by the artist. They include the "Flagellation" and the "Descent into Limbo". For an artist who had trained as a miniaturist (the exhibition attributes to young Mantegna a beautiful little illumination of the infant Christ in a basket), working with tiny strokes on copper perhaps came easily , although Landau describes Mantegna as an artist experimenting, not getting the first engravings right.

Mantegna, a restless genius, lost interest once he had mastered engraving – the heavenly "Virgin and Child" represents the pinnacle of achievement. But as he grew old, he wanted prints of his paintings and hired professional engravers. Landau believes there was only one engraver, Giovanni Antonia da Brescia, although the catalogue goes for two engravers, adding in a figure called the Premier Engraver. The catalogue also reveals that one of the team of scholars, Suzanne Boorsch, disagreed radically with Landau's views, and argues that *none* of the engravings was actually from Mantegna's own hand.

Landau stresses that there is nothing remotely whimsical in the conclusions that he, Boorsch, Keith Christiansen (paintings) and David Ekserdjian (drawings) put forward in this momentous exhibition. A condition he set the Academy, the Metropolitan in New York, exhibition's sponsors, Olivetti, was that during the three years of preparation the scholar-team should together examine as many as possible of the works which would be exhibited.

This intense collaboration, Landau and Ekserdjian agree, was unique and extraordinarily valuable. Ekserdjian recognised that a drawing of "Christ between SS. Andrew and Longinus" which he found in a box of Mantegna's prints in Munich, was no copy but an important working drawing for the print. The artist, unsure about Christ's posture, has cut out the head and pasted it back at a different angle. Ekserdjian also had two drawings uncovered, one whose ghostly existence had previously been spotted (the head of a man) and the other, a design for a candelabra, which had not. Only 30 drawings are generally recognised as being by Mantegna: adding another three is no mean achievement.

As they travelled the world's print-rooms and galleries, the Mantegna team evidently generated heat as well as light. Landau speaks of "tremendous rows", and having to argue fiercely for his four reattributions. He helped his case by developing a new technique, superimposing enlarged transparencies on a light-box to show exactly how the artist's drawings were used for engravings.

'Christ between SS. Andrew and Longinus': not a copy but an important working drawing by Mantegna for a print, discovered by David Ekserdjian

I have not exhausted all the novel and controversial aspects of the team's ideas, but at least I may have suggested why this level of academic input makes *Mantegna* a deeply serious, as well as a beautiful, exhibition. Maybe we should have seen a little more of the scholarly tail, which certainly does not wag the dog. But if you have ever wondered whether art-historians are not merely playing a rather pointless game of attributions and reattributions, bear it in mind that without this scholarly tail we would never have seen the dog.

Royal Philharmonic Orchestra

ROYAL FESTIVAL HALL

While other London orchestras are intent on establishing centres of activity, the Royal Philharmonic Orchestra has been out on the road. Yesterday it completed what is claimed to be the first tour by any arts organisation to link all the capital cities of the European Community, sponsored by Celinet.

It is heartening that the RPO's Vladimir Ashkenazy, like other foreign conductors who have held resident posts in London, has proved sympathetic towards British music. For while the tour has done nothing to promote living British composers, it has included a token British piece in each programme and a few performances of Walton's First Symphony; though I note that only in London and Dublin did the management risk the Fifth Symphony of Vaughan Williams, a less commercial score.

Audiences abroad will have found the RPO holding on to its warm and well-blended sound during Ashkenazy's period of tenure. Overall bloom takes precedence over clarity and detail, or at least that is how it seemed at the official London concert of the tour last Friday from a seat well to the side of the auditorium.

The evening was predominantly a French one. Berlioz's Overture to *Béatrice et Bénédict* opened the programme and Ravel's *La Valse* closed it, both in unexaggerated performances, though it was difficult to hear much of what was going on in either. In between the soprano Jill Gomez made a soloist of plausibly Gallic sympathies in a selection of Canteloube's Songs of the Auvergne and two little-heard Berlioz settings, "La Captive" and "Zaïde", where she let the words go unheard too often.

A companion concert on Tuesday, in theory outside the tour although it repeated a tour programme, was more substantial. Ashkenazy has not yet taken up much Vaughan Williams, but on the evidence of this performance of the Fifth Symphony, we would benefit from his doing so. The music moved well and the lambent lyricism which he favours in other areas of his repertoire here found a natural outlet, with the RPO players at their best attaining just that sense of ethereal beauty which one imagines Vaughan Williams must have had in mind.

The symphony is dedicated to Sibelius and it was that composer's Violin Concerto that preceded it. The soloist was Midori, the 20-year-old Japanese violinist, who is a little pushed to find a full enough sound for this concerto's big romantic climaxes. But as soon as speed is called for, her spitfire energy excitingly takes command. If a balance between introspective Nordic gloom and outgoing solo virtuosity is sought for this music, then Midori is aware of both, although one cannot help sensing where her own priorities lie.

In case that should leave any doubt in the matter, it must be stated clearly that this young violinist is not only a formidable technician, but also a musician who knows what she wants to say with every note. Whatever outcome the GATT negotiations may bring, it is presumably safe to assume that there will be no import barriers on violinists of her quality from the Far East.

Richard Fairman

The Cotton Club

ALDWYCH THEATRE

With the best will in the world, it is very difficult to find much good to say about *The Cotton Club*, the latest in a line of musical derivatives to land on the London stage. Indeed I am coming to the conclusion that the genre is not for theatre critics who expect more from a show than a bit of song and dance. I shall try my best, however, to be kind.

In one respect, *The Cotton Club* is an improvement on *Sophisticated Ladies*, the celebration of Duke Ellington that arrived at the Globe Theatre earlier this month. It has at least some dialogue and elements of a story line. Millie Gibson, the singer, is on drugs and is destroying her career as a result. The rising star at the Club, Dinah Andrews, admits to having an affair with the manager.

There is occasional talk about the difficulties of being a black star in New York in the early 1930s. It is better to stay in the Club because if you go on a road show, half the time you're hungry and have to sleep in the van since the hotels won't serve you. Yet in the end the dialogue and the story simply peter out.

Like *Sophisticated Ladies*, the show is full of hits. Few people would deny the merits of "I'm just wild about Harry", sung by the fetching Debby Bishop as Dinah Andrews, as a song. The same goes for "There'll be some changes made", sung in a startling change of dress by Joanne Campbell as Millie, and a string of others. There is also some stunning tap-dancing by Marcel Peneux as Bill "Bojangles" Robinson.

Questions arise, however, about whether the theatre is the right place for what is essentially extended cabaret. On the whole, theatre-goers expect something to happen. Those who go to cabaret at least have other diversions, like eating or drinking. Over 2½ hours of song and dance in the theatre can be a strain.

As for tap-dancing, there was a very good example of it in *Sophisticated Ladies*. Marcel Peneux is clearly at the top of his profession, yet the fascination lasts for about five minutes. I have seen enough tap-dancing this month to suffice for the rest of the year.

It is possible that such shows can be redeemed by brilliant settings and brilliant costumes. It is not the case with either. I reported that *Sophisticated Ladies* was anything but sophisticated. Some of the sets and costumes in *The Cotton Club* are distinctly tawdry.

Audience participation might help as well. On the first night it did not really come off. It was not helped by an invitation for white folks to show that they have rhythm being apparently deliberately aimed at the stately theatre critics of *The Times* and *The Guardian*. That cast a damper.

Still, some people obviously enjoy this kind of show and rumour has that there is more of the genre to come.

The Cotton Club is directed and choreographed by Billy Wilson.

Malcolm Rutherford

Gormenghast

THE OXFORD PLAYHOUSE

Mervyn Peake's classic *Gormenghast* trilogy sprawls over 1500 pages and took 13 years to write (1946-1959). A two-hour stage version seems almost beyond the scope of ambition. Yet The David Glass Ensemble is now touring with a play based on *Titus Groan* and *Gormenghast*. It is a brave, bold, exciting stab at the impossible.

Peake knew the stage. His plays, *The Wit to Woo* and *The Cave* were produced in his lifetime; he developed *Gormenghast* the musical, for which Benjamin Britten wrote the score; his illustrations for the trilogy witness his dark draftsmanship (he was a war artist at the liberation of Belsen). So he was far from being a closeted novelist.

However, his arbitrary world works best in novel form: private imaginings build an architectural vision rivalled only by J.R.R. Tolkein's middle-earth mythologies. The play condenses the first two novels of Peake's trilogy, *Titus Groan* and *Gormenghast*. The crumbling Earl Groan and his Countess Gertrude preside over a decaying castle; Titus, their son and 77th Earl, is subject to the mad dictats of *Gormenghast* "law", and prey to the plottings of Steerpike the machiavel. The Groans have a Master of Ritual, a Chief Retainer and Master Cook. An unknown Wild Thing haunts the castle's corridors.

John Constable's script translates the frustrations of Peake's world without the compensations of his style. The result is an evening in which moments of excitement emerge from periods of boredom. In Peake, slabs of adamantine prose bridge the gaps where nobody speaks, but the theatre has to show rather than tell. Director David Glass, designer Rae Smith and choreographer Sally Owen have opted for mime; there are breathless chases, fires and storms delivered by slick, inventive staging.

The equivocal virtue of the production is that one needs to have read the *Gormenghast* trilogy to make sense of it. Peake's characters survive, to the last snap of the Retainer's cracking joints and the oozings of sweat from the Cook's fetid brow. The plot, always a distraction in Peake, remains faithful to the books. But without these pleasures of recognition, it can be hard work to maintain contact with the stage characters.

The Ensemble acts with great poise and energy, negotiating tricky mimes, whether climbing up stairs or falling off cliffs (Sally O'Donnell as the Wild Thing is particularly striking). John Eacott's music is a constant and welcome support to a difficult evening's theatre.

The tour, which began last week in Bradford, reaches London (Battersea Arts Centre), on March 17 via Cambridge, Swindon, Hexham, Worthing, Brighton, Newark, Darlington, Glasgow, Leicester, Horsham, Carlisle and Berwick-Upon-Tweed.

Andrew St George

INTERNATIONAL ARTS PREVIEW

& EXHIBITIONS

The Royal Danish Ballet's second Bournonville Festival will take place from March 28 to April 4 at the Royal Theatre in Copenhagen. August Bournonville is the greatest name in Danish ballet. Between 1830 (when he became artistic director at the Royal Theatre) and 1877, he raised the standard of dance in Copenhagen to international level, while at the same time giving it a unique national quality. Bournonville staged more than 50 ballets, creating a repertoire that has become an important part of dance tradition.

A first Bournonville Festival was held in 1979, marking the centenary of his death. This year's festival will differ from the first in several ways. Since 1979, two full-length ballets, Abdallah and The Lay of Thrym, have been included in the Royal Danish Ballet's repertoire, and A Folk Tale and Napoli will appear as new productions. In addition to the performance events, there will be three exhibitions. Thorvaldsen's Museum will illustrate the link between Bournonville and Thorvaldsen; the Museum of Decorative Art is mounting a show entitled Napoli and the Dream of Italy; and there will be a special Bournonville exhibition at the Royal Court Theatre (bookings and information: Royal Theatre, P O Box 2185, DK-1017 Copenhagen, tel 3332 2020 fax 3315 0360).

The Ballet du Nord, based in the French city of Lille, and the Frankfurt Ballet are both on tour in the coming month. The young French company makes its first appearance in Britain next week at Sadler's Wells in London (Feb 4-8), with works by Balanchine and Jose Limon. The Frankfurt company returns to the Châtelet in Paris (Feb 14-March 1) with two full-evening choreographies by William Forsythe.

The opera calendar for the next month is unusually rich. In Paris, Andre Engel's staging of Lady Macbeth of Mtsensk at the Bastille (ten performances Feb 1-26) is followed by Rossini's Il viaggio a Reims at the Théâtre des Champs-Elysées, conducted by Claudio Abbado (five performances Feb 22-March 1). Bernard Haitink conducts Johannes Schaaf's new production of Don Giovanni at the Royal Opera in London (eight performances Feb 5-March 3), while Geneva's Grand Théâtre tackles Berlioz's Benvenuto Cellini (six performances Feb 10-25). The Hamburg State Opera is staging the world premiere of Wolfgang Rihm's The Conquest of Mexico (Feb 9), while Greater Miami Opera revives Alberto Franchetti's grand opera Cristoforo Colombo (1892), with Justino Diaz and Carol Neblett (six performances Feb 17-23). And Peter Stein's new WNO production of Pelléas et Mélisande, conducted by Pierre Boulez, opens in Cardiff on Feb 21.

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Edouard Vuillard (1868-1940): early and mid-career paintings. Ends March 8. Also Edgar Degas: 73 bronzes cast from wax and clay models found after the artist's death. Ends Feb 23. Closed Mon

Rijksmuseum Rembrandt: a major exhibition bringing together paintings from museums in Berlin, Amsterdam and London. Ends March 1. Closed Mon

BERLIN

Martin-Gropius-Bau The Jewish World: Jewish lifestyle, culture and history around the world. Ends April 26. Daily

Käthe-Kollwitz-Museum Egon Schiele (1890-1918): 100 drawings and water-colours by the Austrian Expressionist painter. Ends March 2. Closed Tues

Altes Museum Martin Schongauer: exhibition marking the 500th anniversary of the death of the first great engraver of German art. Ends Feb 16. Closed Mon and Tues

Neue Nationalgalerie Otto Dix: centenary exhibition. Ends Feb 16. Closed Mon

CHICAGO

Art Institute Imaging the Body: a selection of prints, drawings and photographs from the 16th to 20th centuries, exploring the relationship between the biological sciences and the visual arts. Ends April 28. Also Chicago on the Streets: three Chicago photographers take part in this specially-commissioned exhibition examining the problems of the homeless. Ends April 5. Daily

FLORENCE

Palazzo Pitti Caravaggio: an exhibition marking the centenary of the critic Robert Longhi, who spearheaded the current vogue for the Baroque master. Ends March 15. Closed Mon

Palazzo Strozzi Gustav Klimt: portraits, drawings and theatre sets by the Austrian Jugendstil painter. Ends March 8

LONDON

Royal Academy of Arts Andrea Mantegna (c1431-1506): paintings, drawings and engravings by one of the greatest artists of the early Italian Renaissance, including the Adoration of the Magi and the celebrated series of nine canvases of The Triumphs of Caesar. Ends April 5 (Tickets can be booked in advance 071-287 9579). Also Katsushika Hokusai (1760-1849): sketches, paintings and 150 printed works by the most celebrated Japanese artist in the West. Ends Feb 9. Daily

Accademia Italiana Alberto Savinio: 60 paintings and drawings from 1925 to 1952 by the multi-talented Italian Surrealist. Ends Feb 23. Closed Mon (24 Rutland Gate SW7)

Victoria and Albert Museum The Art of Death: the response to death from the 16th to 19th centuries, when people acknowledged their own mortality more openly than today. Ends March 22. Daily

National Gallery Paula Rego: preparatory studies and finished paintings by the museum's first associate artist. Ends March 1. Daily

MADRID

Fundacion Juan March Richard Diebenkorn (b1922): retrospective of the American figurative artist covering the years 1949-1985. Ends March 8. Daily

Centro de Arte Reina Sofia Lyubov Popova: more than 100 paintings and works on paper by a leading figure of the early 20th century Russian avant garde. Ends Feb 17. Closed Tues

MUNICH

Kunsthalle der Hypo-Kulturstiftung A History of Dolls: 600 dolls and dolls-houses ranging from valuable 18th and 19th century models from Germany, France and Britain right up to the Barbie-Doll. Ends March 1. Daily

Lenbachhaus Chung Eun-Mo (b1946): 20 recent paintings by the Korean artist who has spent most of her adult life in New York and Italy. Also Rainer Wittenborn (b1941): photos documenting the cultural history of southern Italy. Ends March 1. Closed Mon

NEW YORK

Museum of Modern Art The William S Paley Collection: paintings, sculpture and drawings ranging from the latter half of the 19th century through to the 1970s, donated by the man who founded CBS and was chairman emeritus of the museum at the time of his death in 1990. Ends April 7. Closed Wed

Metropolitan Museum of Art American Rococo 1750-1775: a major exhibition exploring the spread of 18th century European rococo style in the decorative arts of colonial America, with more than 170 works of art. Ends May 17. Also Stuart Davis (1894-1964): retrospective of the American modernist. Ends Feb 16. Closed Mon

Brooklyn Museum The New Merengue: designed by three Harlem-based artists, the installation draws elements as diverse as Caribbean music and dance, architectural components of Chartres Cathedral, geography and numerology, into a project tracing the migration of Caribbean and African American peoples to Brooklyn. Ends May 3. Closed Mon and Tues

Whitney Museum of American Art William Wegman: a retrospective of the artist best known for photographs of his dog Man Ray. Ends April 19. Also Alexis Smith (b1949): a mid-career survey of the Californian collage artist. Ends March 1. Closed Mon

PARIS

Musée des arts decoratifs Dubuffet: the artist's collection of his own work, which he donated to the museum in 1967. Ends March 29. Closed Mon and Tues

Musée des Arts de la Mode Elegance and Fashion in 18th century France: 80 exhibits from French Regency to the Revolution. Ends March 31. Closed Mon and Tues (107 rue de Rivoli)

ROME

Palazzo Ruspoli Canova sculptures and the Farsetti Collection from the Hermitage in St Petersburg. Ends Feb 28. Daily

STOCKHOLM

Moderna Museet Lee Jaffe (b1950): 20 objects, including sculptures, paintings and a new boxing-ring installation, by the multi-media artist from the Bronx, known for his audacious critiques of civilisation. Ends March 29. Closed Mon

Nationalmuseum The Empire Style in Sweden: paintings and sculpture of the early 19th century, bronze objects, wallpapers and several complete interiors. Ends March 29. Closed Mon

VIENNA

Künstlerhaus Japanese masterworks: an exhibition covering the past four centuries of Japanese art and design, on loan from the Tokyo Fuji Art Museum. Also Dialogue with Nature: 124 photographs by Daisaku Ikeda (b1928). Ends March 22. Daily

Kunsthistorisches Museum Paul Hindemith: composer as draughtsman: Selection of expressionist and surreal drawings by the German composer. Ends Feb 9. Closed Tues

Albertina Alois Riedl (b1935): an exhibition of realistic and abstract drawings by the Austrian artist, in which he explores the relationship between people and furniture. Ends March 1. Daily

WASHINGTON

National Gallery of Art Gerard David's Saint Anne Altarpiece: the three panels of the restored altarpiece by the early 16th century Dutch artist have been brought together with seven smaller panels. Ends May 10. Also Walker Evans: classic documentation of American life during the Depression. Ends March 1. Also Albert Bierstadt: most comprehensive collection of work ever assembled of the epic American landscape painter of the 19th century. Ends Feb 17.

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A single EC energy market

THE NEW energy directive put forward by the EC Commission is supposed to be one of the fundamental building blocks of the European single market. But it will have to uproot deeply entrenched interests if it is to achieve the desirable objective of removing barriers between member states' markets for electricity and gas.

In few areas do state monopolies maintain such dominance as energy. Few also suffer from such distorted price structures, the result of decades of subsidy and government manipulation. The directive challenges, head on, many members' long-established energy policies.

The measure proposed last week by Mr Antonio Cardoso e Cunha, the Portuguese Energy Commissioner, would open the EC's gas and electricity distribution networks. Under the directive, large energy consumers could buy electricity and gas from suppliers anywhere within the EC, starting next year. Three years later, this permission would be extended to smaller consumers.

By letting competitive forces into the market in this way, the EC hopes to expose the Community's high-cost energy producers. But merely opening taps or throwing switches would not yield the desired results, which is why the directive also contains provisions that would remove less visible barriers to energy trade.

For example, the monopolies, whether state-owned or otherwise, would be required to unbundle their various components – generation, supply and distribution – and make them conform to accepted accounting standards. This should reveal cross-subsidies that give any unfair advantages. Member states would also have to let incoming suppliers reach domestic consumers and local fuel supplies, if necessary by building plant.

One step

It is an indication of the size of Mr Cardoso's task that only one country – the UK – remotely approaches the kind of free market he envisages, and then only in electricity. Yesterday's decision by the UK to lift the ban on gas imports is only a step, if an important and belated one, in a long march towards a liberalised UK gas market.

It is from the continental countries that the greatest resistance is expected. In France, where the state-owned Electricité de France enjoys a monopoly, the plan would not merely allow in competitors, but would also expose the subsidy enjoyed by its substantial nuclear power industry, because it does not bear the cost of future decommissioning of plant. In Germany, electricity prices have been kept artificially high to help the country's inefficient coal industry. Mr Cardoso's plan would force Germany to review this policy.

Special problems

Indeed, each member state has a special set of problems, and will seek special treatment as the directive makes its way through the Brussels machine. Much of the resistance will come in the form of warnings about the threat to security of supply. These should not be dismissed, but combined with appropriate regulation an open market – stimulating trade in energy – is potentially more secure than a closed one.

Opponents may also point to the evidence of UK power liberalisation – limited though it is – to argue that a free market does not necessarily bring the desired benefits. The British record has been disappointing so far because prices have tended upwards rather than down. But this is partly because the UK market contains vestiges of the monopolies and price distortions which adherence to the principles behind the directive would remove.

Apart from pointing the way ahead for the EC energy market, the plan would create an opening for increased gas imports from Russia and reinforce the EC's efforts in resolving that country's financial problems. Just as with farm produce, it is not in the interest of either the EC consumer, not to mention the desired stability of eastern economies, for the EC to resist Russian gas imports. In reverse, a more flexible EC energy market should also facilitate the much needed export of electricity to eastern Europe.

Mr Cardoso has launched a bold plan. It is worth fighting for.

Secretive sale of BTG

THE FINAL crumbs of the government's privatisation meal are proving hard to digest. The recent debacle of the privatisation of the trust ports has garnered much bad publicity. But similar potential problems surround the British Technology Group sell-off. In both cases the unusual nature of the organisations has led to an elaborate and ambiguous bidding procedure, in which unspecified weight is attached to considerations other than price. To make matters still more opaque, the government and Price Waterhouse, its financial adviser on the sales of the ports and BTG, appear to be imposing an information black-out on both.

As the successor to the National Research Development Corporation, set up by the post-war Labour government, BTG still plays an important role in commercialising publicly-funded research in UK universities and controls an impressive portfolio of British intellectual property. At the same time, it is expanding internationally under the banner of "the world's largest technology transfer organisation". The public interest in BTG's fate is greater than the estimated proceeds of the sale – £30m to £50m – might indicate.

Last year the government gave parliament assurances that it would protect the independence of BTG and prevent any asset-stripping. For example, bids would be accepted only from consortia in which no shareholder had a stake of more than 15 per cent, and trade buyers would be excluded. Strong involvement with UK universities and existing BTG staff and management would also be encouraged.

No disclosures

The bidding process is now well under way. The deadline for preliminary proposals was four weeks ago and shortlisted consortia have to submit final bids by February 15. But Price Waterhouse and the Department of Trade and Industry have disclosed nothing about the submissions, not even the number being considered in the final round. And, according to current plans, no information will be released about the losing bids even when the winner is announced – probably just before the general election.

So far, two consortia have identified themselves as second-round bidders. One, led by BTG management and staff, offers the prospect of continued international expansion from an independent UK base. The other, headed by Research Corporation Technologies, BTG's leading competitor in the US, would provide an instant Anglo-American alliance and could develop more quickly into a global technology transfer organisation. They offer different visions of the future that both are keen to debate in public. Yet they have been warned to disclose no details of their investors and only the bare bones of their business plans.

Competitive pressure

According to Price Waterhouse, the secrecy is intended to keep up the competitive pressure on the participants, on the ground that they are likely to make higher offers if they are not sure against whom they are bidding. In the case of BTG, however, getting the best price is not the only important consideration. Indeed if the government were really concerned about maximising its return from the sale it would not have set up such an elaborate privatisation process, in which the fees are estimated already to have consumed more than 10 per cent of the likely revenues.

The best way of ensuring that the qualitative "public interest" issues are properly balanced against price is to make the bidding as open as possible. The government should not only name the second round bidders, but also specify clearly the weights attached to the various non-financial criteria in evaluating their submissions. The most important criterion should be a long-term commitment to BTG's core business, the profitable exploitation of technology.

When the government announces the winner, it should also publish all the shortlisted bids, at least in outline. As with the trust ports privatisation, the BTG sale has no chance of commanding public support unless it is seen to have been conducted fairly.

President George Bush is pinning his re-election hopes on an upturn in the economy, writes **Lionel Barber**

The only way to go is up

Mr George Bush offered a timely reminder this week of the powers of an incumbent president.

No matter that his State of the Union address to Congress promised more than it delivered. By combining proposals for fresh reductions in long-range nuclear missiles with a mild fiscal stimulus to the US economy, Mr Bush showed how easily the White House can shape the debate before the presidential election in November.

The initial judgment is that Mr Bush has read the public mood correctly. His response to a recession which has endured longer than any downturn since the 1930s may be modest, but it suggests strongly that the president is gambling on a recovery by early summer.

The risk is that Mr Bush waited too long, and produced too little. If so, he may be destined to follow Herbert Hoover as the Republican president who sat on his hands and lost his bid for re-election against Franklin Roosevelt in 1932, ushering 20 years of activist Democrat presidents.

In his fiscal 1993 budget submission to Congress, Mr Bush demonstrated beyond doubt that he believes that government intervention at this stage in the economic cycle would do more harm than good. This no doubt comforts Mr Alan Greenspan, chairman of the Federal Reserve, who warned Congress again this week to avoid an election-year bidding war on tax cuts; but it also underlines that the White House has stuck to its view that one ingredient alone will haul the economy out of recession: confidence.

This view has remained unchanged, in spite of the clamour among conservative Republicans, liberal Democrats and Democratic presidential candidates over the past four months for dramatic action, such as an immediate, across-the-board tax cut.

What was striking about Mr Bush's State of the Union address on Tuesday night was the degree to which the president dwelt on the "crisis of confidence" theme. "There is a mood among us. People are worried, there has been talk of decline. Someone even said our workers were lazy and uninspired," said the president, in a sly reference to recent criticism coming out of Japan.

The White House seems to accept the argument that Americans have temporarily suffered a collective loss of nerve following the end of the Cold War

In the next breath, Mr Bush invoked Neil Armstrong's moon landing, the mid-west farmers whose granaries feed the world, and the men and women of Desert Storm. He concluded, to thunderous applause: "Moods come and go, but greatness endures."

Appeals to American identity are as old as the republic itself; but Mr Bush's address suggests that the White House accepts the argument, prominent among certain commentators – mainly of the conservative persuasion – that Americans have temporarily suffered a collective loss of nerve following the end of the Cold War.

The Democrat diagnosis is different. According to presidential candidates such as Mr Jerry Brown of California and, to an extent, Senator Bob Kerrey of Nebraska, Americans are disillusioned with their political institutions, unsure about their job prospects, uncertain about the future.

Others such as Governor Bill Clinton of Arkansas, the early front-runner when he is not seeking to escape old rumours of extramarital affairs, makes an even more explicit pitch to middle-class Americans whose living-standards, he says, have been squeezed during the Reagan and Bush administrations.

In real terms, median family income has in fact remained stagnant since 1973. The difference today is that more Americans, particularly the 70 per cent of the population who earn between $30,000 and $90,000 a year, are worried about problems such as job security, foreign competition, poor education and, above all, the future direction of the country.

Mr Bush addressed some of these fears in Tuesday's speech, focusing first on triumphs past and present: the American victory in the Cold War and the Gulf war. At times, he came within a whisker of jingoism – "a world once divided into two armed camps now recognises one pre-eminent power, the United States of America" – but he ended with a clear message: "Now we can stop making the sacrifices we had to make when we had an avowed enemy that was a superpower. Now we can look homeward even more, and move what needs to be set right."

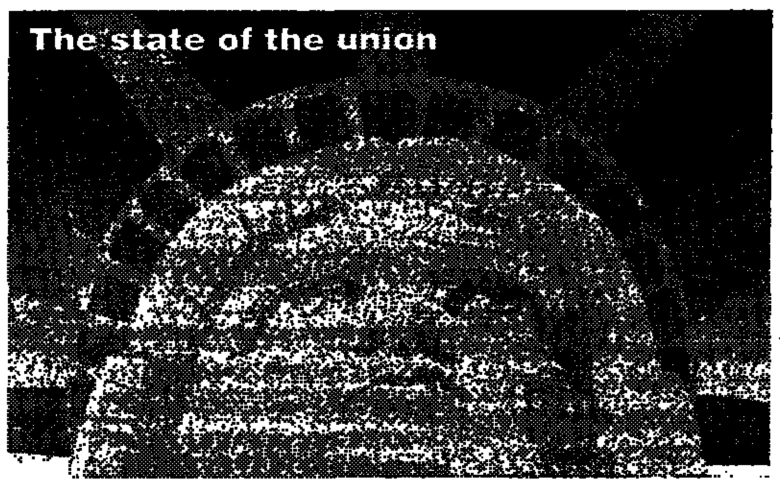
These words – faintly evocative of Mr George McGovern's "Come Home America" slogan in the 1972 presidential campaign during the Vietnam war – should not be misread: Mr Bush is no born-again isolationist. But it does mean that he is ready to accelerate reductions in defence spending which has seen hundreds of billions of dollars devoured over the past 40 years in pursuit of the arms race against the former Soviet Union.

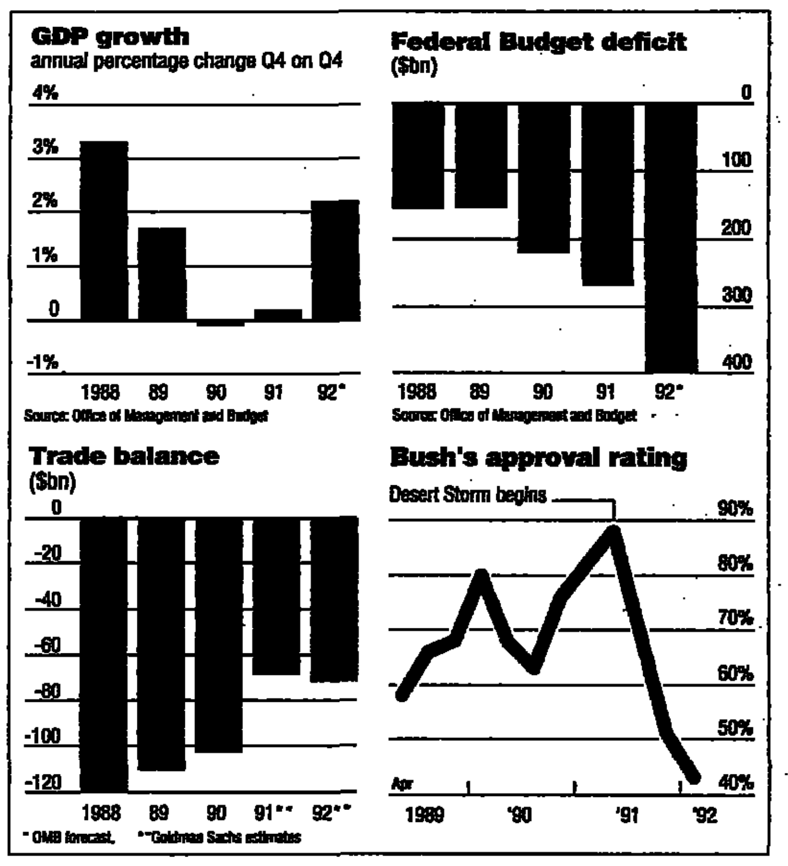
This week, Mr Bush ordered $50bn in defence cuts, beyond those already contemplated in the Pentagon's plan to reduce the US armed forces by 25 per cent over the next five years. Congress seems certain to push for heftier cuts of up to $100bn; but Mr Bush noted that by 1997, he would have cut defence spending by 30 per cent since taking office. "This deep, and no deeper," he warned.

At the same time, Mr Bush announced further reductions in the US land- and sea-based nuclear deterrent, using a combination of unilateral and negotiable proposals. The reductions elicited an immediately favourable counter-offer from Mr Boris Yeltsin, the Russian president, who announced that he had ceased production of several long-range weapons systems.

Further talks are planned today at the United Nations Security Council in New York and at President Bush's Camp David retreat; prospects for an early deal eliminating multi-warhead, intercontinental missiles, the most destabilising first-strike weapons, are good, according to US officials.

The surprising thing was how little impact Mr Bush's nuclear proposals created at home. This may change if the president drives home his message that the end of the Cold War means an end to the nuclear terror and a new security to Americans; but the fact that the president's fiscal 1993 budget submission to Congress took precedence underlines how preoccupied Americans have become with their domestic troubles. Economic insecurity has become Public Enemy Number One.





The striking lesson from this year's budget submission to Congress is how limited is the number of tools that Mr Bush has at his disposal for tackling these fears. This is underscored by the substantial deterioration in the outlook for the Federal budget deficit, both in the short and long-run.

This year's deficit is expected to reach a record $400bn, compared with a projection of $281bn this time last year, and recent estimates of $350bn. More seriously, the administration has abandoned hope of achieving a balanced budget in the medium term: the deficit is not expected to fall significantly below $200bn (about 3 per cent of gross domestic product) over the next five years, according to Mr Richard Darman, budget director.

These deficits – a substantial portion of which were run up in the 1980s under the Reagan/Bush administration – are a crippling legacy to future generations. They also help to explain why Mr Bush's own "growth package" is so modest.

Mr Bush has confined himself to proposing a few short-term measures, including a temporary tax credit for first-time home buyers of up to $5,000; a temporary 15 per cent investment tax allowance; an increase in the personal exemption by $500 for each child; a cut in the capital gains tax cut, now 28 per cent, to 15.4 per cent; and an executive order to employers to withhold less in federal taxes from workers' pay-cheques – a move that will give the average family $350 per worker, but that will be clawed back by the government next year.

Just before Christmas, optimistic souls at the White House hinted that Mr Bush might be ready to support conservative Republican calls for income tax cuts as part of a $60bn Keynesian-style reflation. The price would have been breaking the $500bn budget deficit reduction agreement with Congress struck in 1990; but the potential political benefit would have been a dramatic Republican initiative to pull the economy out of recession.

In the event, the president accepted his advisers' warning that busting the budget agreement would so unnerve the financial markets that interest rates would rise, countering the Fed's policy of using progressive reductions in the discount rate to lower the cost of borrowing. And so began Mr Bush's waiting game, tempered by judicious leaks of the growth package aimed at creating the impression of a caring, activist president.

This delay may hurt Mr Bush next month when he faces a crucial first primary election in New Hampshire, one of the states hit hardest by the recession. But the reality is that the president has handed economic policy to Mr Greenspan at the Fed. Populist Democrats and Republicans may rail against an unelected Fed running the country; but it does allow several tactical advantages from Mr Bush's standpoint.

First, the president can cast the Democrats as the big spenders, a tactic which has worked in three successive presidential elections.

The administration has not, as feared, lifted the discipline of the budget agreement: caps on discretionary spending programmes remain in place (although Mr Bush is willing to amend the act to allow defence funds to be used as an offset if Congress objects to other cuts needed to finance the child tax exemption).

Second, Mr Bush will play the tax-cut card with all the fervour of his predecessor, Mr Ronald Reagan. His appeal for a cut in capital gains often sounds hollow; he knows that the Democratic price is a tax on the wealthy which he is not prepared to accept.

Third, the White House wants to avoid specifics, particularly on controversial issues such as health care. "It's the black box strategy," says Mr James Thurber, head of Congressional Studies at American University in Washington DC. "The idea is to avoid showing your hand and make Congress deal with the detail. If things go wrong, Congress gets the blame."

Democrats will counter that Mr Bush's rhetoric far exceeds what he has delivered in his three years in office. Mr Bush, who calls himself the "environment president" and "education president" has almost as many titles as residences in the US. Democrats, who believe that the 20 years of scepticism about government's ability to solve problems is over, call him a "do nothing" president.

Mr Clinton has shown himself well capable of challenging Mr Bush on his home record, particularly on education. By contrast, Mr Patrick Buchanan, the pugnacious conservative Republican who is standing against Mr Bush in the New Hampshire primary on February 18, has his own retort: "Are you better off than you were four years ago?"

This is the question that Mr Reagan used so effectively against President Carter in 1980. Knowing that the answer is a firm negative, Mr Bush will play to his strengths as commander in chief of Desert Storm, the decisive leader who still towers above his democratic rivals.

Yet the truth is that Mr Bush has staked his political future on early signs of economic growth. Like the economy, he has only one way to go: upwards.

OBSERVER

Not music to their ears

■ Why is Greek shipowner and rising media-baron Yannis Alafouzos nursing bruises after forcible arrest by a police riot squad?

The official reason is that, as boss of the top private station Sky Radio as well as Greece's most respectable paper Kathimerini, he was trying to set up a 30-megawatt transmitter on Mount Hymettus above Athens when his licence allowed only 1MW.

But onlookers suspect his real crime was refusing to behave like a traditional Greek newspaper tycoon and toe the party line, in this case a conservative one. The ruling New Democracy party dislikes being publicly criticised by one of its own.

Alafouzos, in his later 30s, is open to further punishment through his plan to start a news-centred television station, which looks likely to be refused a licence. Broadcasting minister Sotiris Kouvelas, who would be the one to grant it, says the Alafouzos media empire is a looming monopoly – a curious claim when there are 80 other private radio stations in Athens, besides 15 daily papers and over 20 television stations.

Ironically, Kouvelas himself came near to a similar bruising experience a few years ago when, as mayor of Salonica, he set up a popular city hall radio station. The socialist government of the day threatened to send in the riot squad to tear down the transmitter.

At the time Kouvelas was acclaimed as a champion of the right to free speech. But Greek politicians' memories are notoriously short.

To the wall

■ "Penurious actress must sell small brothel in Pimlico." With the end of London's Roy Brooks estate agency, it is not only property dealers who'll be feeling nostalgia for the days when such phrases in advertisements were worth some extra hundreds on the price.

The copywriting flair of the original Roy Brooks, who died in 1971, charmed up-and-coming professionals not only to pay over the odds, but to settle in areas previously beyond the pale such as Clapham and Camberwell.

Even so, one of Observer's house-hunting colleagues is not surprised that his firm has now followed him to the grave. His successors apparently continued to pitch prices at levels more appropriate to their 1988 heyday, with the result that sales were few and far between.

Policy switch

■ No sooner has Britain's Office of Fair Trading chief Sir Gordon Borrie handed in his notice than another good OFT man – Richard Thomas, the 42-year-old director of consumer affairs – heads for the door. Could the two events be connected?

Thomas, like his boss, is a clever lawyer whereas Sir Bryan Carsberg, Borrie's successor as director general, is an accountant. However, Thomas assures me that the timing of the departures is pure coincidence. He never regarded himself as a candidate for Borrie's job and unlike most of his OFT colleagues, he is not a career civil servant.

He is off to join City law firm Clifford Chance as the first director of its public policy practice. He will not be a partner but he will certainly be earning more than the £51K-59K that his old job is being advertised at.

It seems slightly odd that Clifford Chance wants to poach a consumer affairs expert rather than someone like Martin Howe, boss of the OFT's competition policy division, who should be able to command juicy advisory fees if he ever decided to go private. But Clifford Chance partner David Reid is confident that he has made the right choice.

Thomas will assist clients "in dealing with the ever enlarging interface between business and governmental bodies in the area of developing laws". Or more briefly, perhaps, Mr Fixit.

"Does this mean we're not a nuclear family any more?"

Family feuds

■ The Volvo-Procordia battle in Sweden has opened up old wounds. It is not just the Swedish state, as Procordia's second largest shareholder, that is upset by Pehr Gyllenhammar's bold move, but also the corporate establishment led by the Wallenberg dynasty.

One man, in particular, 70-year-old Curt Nicolin, will play a pivotal role in the outcome. As chairman of the nine strong privatisation commission, Nicolin has spent most of his life working for the Asea engineering group, one of the crown jewels of the Wallenberg empire, and remains one of the family's most trusted advisers.

Nicolin has sound business reasons for giving the thumbs down to Gyllenhammar's latest power play with Procordia and it would be wrong to suggest this represents the revenge of the Wallenbergs on Gyllenhammar for past slights. Nevertheless, the Wallenbergs must be forgiven for more than a half smile at the predicament of Volvo's charismatic chairman after Nicolin has rejected his offer.

Not out

■ Tut, tut. Top woman gives up £100,000 job to spend more time with her family. It sounds a plausible tale in these stressful times and makes a good headline. But in the case of Diana Cornish, the 49-year-old managing director of the Brook Street Bureau recruitment agency, it is not accurate.

Having risen to the top of the employment business – she was involved with Blue Arrow long before Tony Berry arrived – she wants a new challenge. "Women don't get many chances at the top," says Cornish, who makes it clear that after a well-earned holiday, she will be looking around for gainful employment again.

If plans for a management buy-out of Brook Street had not collapsed 15 months ago, she might have hung around a little longer. But after 18 years in the same business she wants to prove that she can do something other than run an employment agency. A businesswoman worth watching.

Dry

■ Overheard at Britain's embassy in Bonn:

What comes between fear and sex?

Funf.

Smoke signals give encouragement

The international cigarette companies are targeting new markets, writes Philip Rawstorne

Growth prospects are now opening for international cigarette companies that would have been regarded as a pipe-dream a decade ago. Political change in eastern Europe and the removal of trade barriers in the Far East have given the big multinationals – Philip Morris, BAT Industries, R J Reynolds and Rothmans International – access to big potential new markets.

Ten years ago, the world market amounted to 4,500bn cigarettes. But more than 60 per cent of that was virtually closed to the multinationals by communist and non-communist state monopolies.

Today, world consumption of cigarettes is 20 per cent greater at 5,400bn; and western tobacco companies are barred from less than 5 per cent of it.

Sir Pat Sheehy, chairman of BAT, says the prospects for international companies are better than at any time during his 40 years in the industry. The group's exports have risen from 45bn cigarettes in 1986 to 85bn in 1990.

Philip Morris, the the tobacco exports of which already contribute $3bn to the US balance of payments, says: "The potential for our business overseas is phenomenal." The group plans a $3bn investment programme over the next five years to increase its worldwide production capacity to cope with the expected demand.

The surface of the liberalised markets has as yet only been scratched. The scope for growth can be measured from the fact that BAT supplied 10.3 per cent of the total world market in 1990, but a mere 1 per cent of the communist and former communist market, which accounted for 2,460bn cigarettes, and only 2.9 per cent of the 1,050bn cigarettes consumed in other countries with tobacco monopolies.

The multinationals have continued to extract profitable growth from established markets in the US and much of western Europe in spite of a decline in consumption under the constant and growing pressure of health lobbies.

But they are now brimming with confidence about the outlook for profits well beyond the next decade. In most of the newly opened markets, smoking is still on the increase; and consumers are showing a strong preference for the multinationals' products.

Worldwide sales of international brands, led by Philip Morris's ubiquitous Marlboro, have grown by 7 per cent a year over the past three years, and they are gaining market share almost everywhere from national brands in western European countries such as France, Italy and Spain where state monopolies have previously dominated new markets.

The multinationals' salesmen are advancing in force into eastern Europe and the former Soviet republics where the demise of communism has opened a potential market for 700bn cigarettes – eight times bigger than the UK's.

Economic problems, political uncertainties, and poor service facilities may slow the profitable exploitation of opportunities. Mr Charles Pick, tobacco industry analyst at Nomura Research Institute, says: "The market is characterised by a lack of hard currency, modern technology and competition."

Initial operations have encountered frustrating day-to-day difficulties with inadequate banking and telephone systems, and a chronic shortage of hotel accommodation and trained personnel. BAT's advance guard in east Germany, for instance, lived for a time in caravans and sent messages by taxi.

The lack of clearly defined lines of responsibility between central and local government authorities in the republics also makes negotiation long and difficult.

But the longer-term potential is worth serious investment. Mr Philippe Grandjean, spokesman for Philip Morris's operations in eastern Europe, says: "We have to make a firm commitment; show that we intend to be a permanent partner in the new systems being established in these countries. We do not expect immediate returns. We are building a solid base for the future."

Cigarette production in Russia this year is expected to fall about 150bn cigarettes short of demand. Philip Morris recently signed a contract to supply 11bn, and will start producing Marlboros in Russia this year. It supplied the republic with 22bn cigarettes last year – and says it was paid promptly for them in spite of reports that other companies have been offered payment on a 720-day basis or various barter deals.

R J Reynolds, which sold 14bn cigarettes to Russia last year, also expects to be producing Camel and other brands in a joint venture in Kazakhstan later this year; and BAT is investigating opportunities.

In east Germany, Philip Morris has gained 44 per cent of the market by acquiring a former state-owned factory, and simply improving the quality of its F6 and Juwel brands as well as adding Marlboro to the range. Reynolds, which also bought a factory, has had less success with the local Club brand and Camel, holding only a 7 per cent share.

BAT's advance guard in east Germany lived for a time in caravans and campers

BAT and Rothmans have occupied intermediate positions by using the factories of their west German subsidiaries to supply the new market. BAT has gained 11 per cent of the market, but its HB and Pall Mall brands lead the higher-priced segment.

Rothmans has adopted a more cautious approach than its rivals, apparently believing that there is considerable scope for losing money as well as making it. But its Golden American brand, developed to provide "good quality at an affordable price", has a 16 per cent share.

In Hungary, with an annual consumption of 28bn cigarettes, BAT has recently signed a joint venture agreement with the state-owned company at Pecs, which supplies 45 per cent of the market. It is also helping to improve the quality of the country's tobacco crop.

Philip Morris and the Austrian state tobacco monopoly have jointly bought another cigarette company near Budapest which has been making Marlboros under licence for the past 15 years and has a 24 per cent market share.

While profitable sales growth may be slow in eastern Europe, Far East markets, with rising populations and personal incomes, are already a prime source of profits. Rothmans, for example, has 55 per cent of the Malaysian market, and it increased operating profits in 1990 by 70 per cent.

Since US trade pressures cracked the government monopoly in Japan in the mid-1980s, Philip Morris has captured an 11 per cent share of the 320bn cigarette market – almost double the combined share gained by its international rivals. Volume sales of Marlboro and other PM brands, such as Lark, rose 22 per cent in 1990 to 35bn.

BAT, too, is well established through Lucky Strike and Kent, produced by its US subsidiary, Brown & Williamson. Its John Player Special also occupies a profitable niche.

Rothmans, which still has less than 1 per cent of the market, is investing in marketing its mild Dunhill Lights.

South Korea, with an annual cigarette consumption of 96bn, has proved more difficult to penetrate. Four years after liberalisation, imports account for only 4 per cent of the market. The national monopoly still dominates distribution channels, and the international companies complain of red tape and an anti-imports drive thinly disguised as a campaign against "conspicuous consumption."

The 40bn cigarette market in Thailand was only opened to imports late last year; but the internationals are becoming well established in Taiwan. Philip Morris brands lead the imports sector, but BAT's State Express 555 brand has a 23 per cent share and sales are growing vigorously.

Rothmans is optimistic about prospects in Indonesia, where western-style cigarettes have made little impression on a market dominated by locally produced kreteks, a blend of cloves and tobacco.

However, the prize on which all the multinationals have set their sights is China, where demand for cigarettes has grown by nearly 10 per cent a year over the past decade to 1,700bn, almost a third of the world's total consumption.

Reynolds has established a joint venture company in the country; and Rothmans, which has long been associated with efforts to improve Chinese tobacco farming, is a partner in a joint venture company which will begin to manufacture cigarettes in Shandong province in June.

Philip Morris and BAT, with its State Express, Kent and Hilton brands, have been successful in selling into duty free and other hard currency outlets.

Imports, according to Philip Morris, still account for only 0.3 per cent of Chinese consumption. Because of constraints on hard currency, nobody expects any rapid growth in the near future. But the prospective rewards are worth a little patience: just over 5 per cent of the market would equal total cigarette sales in the UK.

STATE TOBACCO MONOPOLIES UNDERGOING LIBERALISATION

Market	Bn of cigarettes a year	Market	Bn of cigarettes a year	Market	Bn of cigarettes a year
China	1,683	S Korea	96	Turkey	76
Sov Union	450	France	96	Thailand	40
Japan	320	Italy	91	Taiwan	35
E Europe	250	Spain	82	Portugal	14

EASTERN EUROPEAN MARKETS

Country	Population (m)	Smokers (m)	Cigarette volume (bn)	Per capita consumption
Albania	3.1	1.2	2.7	860
Bulgaria	9.0	3.4	19.0	2,109
Czechoslovakia	15.6	5.9	26.9	1,724
East Germany	16.2	3.8	30.4	1,875
Hungary	10.6	4.0	26.3	2,485
Poland	37.8	14.2	94.2	2,493
Romania	23.1	8.6	32.5	1,412
Russia	286.0	107.3	442.8	1,548
Yugoslavia	23.6	8.8	55.5	2,356
Total*	408.8	153.1	699.9	1,712

*excluding East Germany. Source: Nomura Research Institute Europe

Joe Rogaly

Deuce, ad Tories

Do not bank on the idea that Labour is finished. That is what the crystal ball has indicated for most of the past fortnight, but these are early days. The great British political game of 1992 is not yet over. Indeed, it has hardly begun. The date of the contest is still uncertain, although it sounds like April 9. As to who will win, none of us can be sure. The poll results are maddeningly close. Just a few weeks ago, the score stood at deuce, advantage Labour. Today it stands at deuce, advantage Conservative. Next week the percentage point could hop back over the net.

My current guess is that the Tories will squeak home, either with a majority of less than 10 or as the largest party in a hung parliament. This is also the conventional wisdom, which should be a warning that it stands a high chance of being wrong. The guesswork can be refined by asking why the Conservatives are doing so well and – an entirely different question – why Labour is not five or six points ahead.

The first of these questions is the easier one to answer. Since the turn of the year, the Tory campaign has been extremely cleverly managed. In mid-December, the government realised that the Autumn Statement forecasts of economic recovery would not come true. It looked as if the continued recession would sweep the Conservatives out of office. So a decision was made to divert the public's attention. It has been adhered to with the fierce determination of ruthless politicians who want above all to win. Trump after trump has been played. The nature of the entire election campaign has been ingeniously restated. We are now to believe that this is not a clapped-out administration grasping for an unearned fourth term, but a brand-new government, headed by a personable young prime minister who is seeking his first mandate from the electorate.

Labour's tax proposals have been subjected to intense and justified scrutiny, with by now well-known results. Other court cards have come out this week: a spot of trade union-bashing from Mr Michael Howard, followed by a reminder from Mr Tom King that the Tories are resolute on nuclear weapons. Mr John Major has been portrayed as something better than Mrs Margaret Thatcher. He is cast as both international statesman and the ordinary chap of humble origins who can be trusted by middle England. He suits the part perfectly. He is the Conservatives' ace.

What is surprising is that Labour failed to prepare itself for all this. It was obvious that the government would focus on tax and spending during an election year. The correct defence was a pre-emptive attack. The shadow chancellor should have been put on television after Christmas to set out Labour's fiscal proposals in precise detail, in the hope of fixing them in the public mind before the Conservatives could make their move. The avuncular Mr John Smith could have achieved that.

Mr Major is cast as both statesman and ordinary chap who can be trusted

That he did not is symptomatic of what ails Labour. When Tories are down they pick themselves up and fight harder. When Labour is down it moans and turns in on itself. The party was ahead at Christmas-time, so it relaxed. It should have been hammering the Tories on a single theme, such as the persistence of the recession. But Labour's strategy is not managed by a single individual or a tight working group. The Conservatives have Mr Chris Patten as an energetic and surprisingly tough-minded chairman, plus Messrs John MacGregor, John Wakeham and Richard Ryder to help day-to-day planning. Labour's war cabinet is far more diffuse. Its campaigns co-ordinator, Mr Jack Cunningham, does not enjoy the powers or status of a Tory chairman.

These operational details matter. There is no longer the hatred of the government that some expressed when Mrs Thatcher was in office. Nor is there much overt enthusiasm for Mr Neil Kinnock's party. Yet the underlying mood of the country is one of impatience with the recession. There is a feeling that it is time for a change, perhaps time to give Labour a chance. With a mood like that and gloomy economic outlook reports like the one from the Confederation of British Industry this week Labour should be five or six points ahead.

It can still recover. The Conservative tax campaign, born of Christmas desperation, may have been timed too early for maximum impact. The CBI message may yet seep into the general consciousness, confirming what people know from experience to be true. This week's insinuation that the Tories would raise VAT if re-elected may not have been wholly countered by Mr Major's denial. Mr Smith's party political broadcast, stating who will benefit from Labour's proposals, may help. It did not have the knuckleduster quality of the Tories' anti-tax propaganda of the previous week, but it may be no less successful.

Labour's decisions to adopt proportional representation for elections to a Scottish assembly and a new London authority could confuse the Liberal Democrats and attract some of their votes.

Much therefore depends upon Labour's political dexterity over the next few weeks. If its tactics are sharp, it could recover. If not, the penalty could be severe. When Labour looks like winning, some Liberal Democrats vote Tory; when the danger seems remote, they return to the fold. A Tory lead in England could therefore start the unravelling of Labour support. In Scotland, the peril is imminent. This week's ICM poll, published by The Scotsman and Independent Television News, shows 50 per cent in favour of an independent Scotland. This may not translate into Scottish Nationalist Party victories at a general election – unless Labour looks like losing the main contest. In that circumstance there could be an accelerated swing to the SNP. Mr Major would win, at the small price of losing Scotland. You would never have to worry about Labour again.

LETTERS

SIB argues that survey results not flawed

From Ms Colette Bowe.

Sir, Mr Scurfield (Letters, January 29) casts doubt on the results of a survey commissioned by the Securities and Investments Board into termination rates for life assurance policies.

We commissioned the survey because of the absence of published information. When we made the results available last December, we also published details of the methodology used. That methodology involved calculation of termination rates using information about premiums, rather than policy numbers, supplied by life offices in their statutory returns to the Department of Trade and Industry.

As the researchers made clear in their report, (and as SIB has in its comments), there are some limitations in the figures, stemming, for example, from the inclusion of temporary short-term assurances, the treatment of paid-up pensions contracts and other factors. Moreover, the termination rates quoted in the report are a "snapshot" for 1990 which, because of the recession, might be worse than for other years. It is also recognised that the aggregate termination rates hide significant differences between individual life offices.

But notwithstanding these limitations, the main message – that termination rates are uncomfortably high – is clear. SIB therefore rejects Mr Scurfield's assertion that the survey is "flawed" and that no further conclusions should be drawn from it.

If there is now to be a debate about how the industry might develop a common methodology for the calculation of termination rates, SIB would very much welcome this. We would also welcome greater willingness on the part of the life offices to make publicly available information on the persistence of life assurance policies.

Colette Bowe,
group director – retail markets,
Securities and Investments Board,
Gavrelle House,
2-14 Bunhill Row, London EC1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Real marginal costs of cars need taxing solution

From Mr Andrew Lindsay.

Sir, Alex and Sue, in Richard Tomkins' article "When fare is not fair" (January 29), need lessons in economics. The true cost by road of their 230-mile round-trip to Birmingham from London is not £11, but £41, making rail travel at £46 almost economic.

They should consider the following: £11 for fuel, £5 for car servicing (230 miles is 4 per cent of the 6,000 mile service interval which will cost £120), £2 for road tax (2 per cent of 12,000 mile annual mileage) and £23 depreciation. The depreciation charge assumes car life of 80,000 miles while its value declines from £10,000 to £2,000 – ie 230 miles is 0.28 per cent of the car's life.

On this basis, we need better education rather than further taxes on car owners and society to make rail traffic a viable alternative on cost grounds.

Andrew Lindsay,
2 Russell Hill,
Purley,
Surrey CR8 2JA

From Mr Gerald Ingram.

Sir, Richard Tomkins rightly highlighted the low marginal cost of using cars. In the current political climate it would perhaps be more useful for our leaders to indulge in serious discussions about ways of correcting the imbalance.

We continually hear comments that no action is really possible until road-pricing schemes are available, yet it seems that two specific actions could be taken immediately to start the process.

- abolish the road fund licence;
- abolish special car tax.

In place of these, petrol taxes should be increased to recoup the lost tax revenue. This would encourage people to use more fuel efficient cars and reduce the fixed costs of motoring and it would of course reduce the marginal cost gap between roads and railways to which Richard Tomkins referred. Additionally it would ensure that overseas tourists/travellers who use British roads contributed more towards the costs than they currently do.

Gerald Ingram,
74 Lambourne Drive,
Locks Heath,
Southampton

'Spousal equivalents' benefits

From Mr Steven Sieverts.

Sir, Nikki Tait's account of "spousal equivalents" being treated as spouses in a few American employee benefit plans was interesting and informative (Management, January 24). The reference, however, to "... a handful of public sector employers, such as Manhattan's Montefiore Hospital" is thrice wrong: it's the Montefiore Medical Center; it's in the Bronx, not in Manhattan; and it's a private-sector (non-profit) institution, not in the public sector.

Ms Tait also might have noted that the reason for the low take-up of the Lotus scheme by its homosexual employees probably lies in the pattern for health benefits generally. Partners most likely are also working, making them eligible for their own employer-furnished benefits. Very commonly, American workers are required to contribute to the cost of health insurance for their spouses. If either a spouse or an equivalent is already covered through his or her own employment, why pay for another coverage which is secondary?

Steven Sieverts,
vice-president,
health care finance,
Blue Cross and Blue Shield,
550 12th Street SW,
Washington DC 20065
US

Simple answer

From T Ritson.

Sir, Managers have an easy solution to the problem highlighted by Paul Taylor ("Managers intimidated by computers", January 27). I use a cheap, simple and effective program that solves all my problems. It is called Ko-Pilot. You just load it on to a pc like any other program and call it up at need. It solves problems by following a simple menu system.

T Ritson,
26 Sispara Gardens,
London SW18 1LQ

Part-time not second rate

From Ms Jane E Walker.

Sir, Valerie Amos (Letters January 21) from the Equal Opportunities Commission says that a "significant proportion of part-time working women would like to work full-time" but offers no evidence for her assertion.

The 1980 Women and Employment survey showed that more than four-fifths of women with part-time jobs were happy with their working hours and pay. More significant still, the 1986 Labour Force Survey shows 65 per cent of women prefer part-time.

Moreover, these jobs which women choose to do should not be dismissed as a second-class alternative to a "long and successful career": the 1984 Women and Employment survey showed levels of satisfaction with the type of work and job security were actually higher among part-timers.

Valerie Amos should recognise that the traditional full-time employee job is not the universal preference or aspiration of women.

Jane Walker,
40 Ennismore Gardens,
London SW7 1AQ

From Ms Alison Wolf.

Sir, Valerie Amos implies that part-time work is a second-rate option forced upon women. Of course, some women who work part-time would prefer full-time employment. However, survey evidence indicates that the enormous unmet demand is for flexible part-time arrangements – and as a positive preference, not second-best. The experience of Victoria Franklin (Letters, January 23), offered full-time or nothing by her boss, is, distressingly, not unusual.

Most revealing, however, is Ms Amos's disparaging comparison between part-time "work" and a proper full-time "career". The latter is an option only for the affluent middle-class minority: yet it is their demands and experiences that dominate the whole debate about child-care. Surely one should expect a broader vision from the chief executive of a government organisation funded to promote the interests of all women.

Alison Wolf,
Institute of Education,
University of London,
20 Bedford Way, London WC1

FINANCIAL TIMES
Friday January 31 1992

Sharp fall in US goods orders puts early recovery in doubt

By Michael Prowse in Washington

ORDERS for US durable goods fell 5 per cent last month, casting doubt on the Bush administration's upbeat budget projection of an early economic recovery.

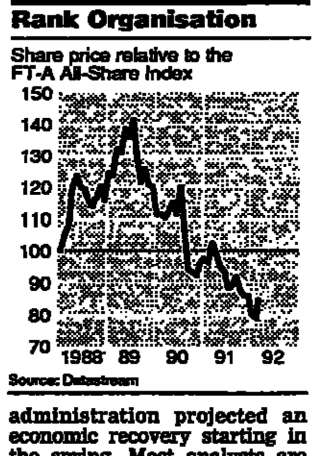
The fall in orders was the largest for more than a year and much greater than Wall Street analysts had expected. Excluding defence, new orders fell by nearly 9 per cent.

Much of the weakness was concentrated in the volatile civilian aircraft sector. However, excluding transport, orders fell 1.6 per cent to register their fifth successive monthly decline.

For 1991 as whole, total orders were down 4.6 per cent, the biggest drop in almost a decade.

In Wednesday's budget, the administration projected an economic recovery starting in the spring. Most analysts are hoping that lower interest rates and a budget fiscal stimulus of perhaps 0.5 per cent of gross domestic product (GDP) will stimulate growth in the second half of this year.

Rank Organisation



Source: Datastream

But many remain pessimistic about the immediate outlook. "Nothing in the recent numbers suggests the economy is about to pick up in a big way," said Mr William Brown, chief economist at J.P. Morgan, the New York bank. He expects GDP to contract at an annual rate of 2 per cent in the current quarter after zero growth in the fourth quarter of last year.

Mr Richard Berner, economist at Salomon Brothers, the Wall Street brokerage, said the durable goods figures indicated "continued stagnation in manufacturing". A fall in the volume of goods shipped also suggested slower growth of US exports, until now one of the bright spots for the economy.

Other figures yesterday were little more encouraging. Personal income rose 1 per cent in December in cash terms, but after allowing for inflation and distortions such as higher farm subsidies, the real increase was a meagre 0.2 per cent. Personal consumption spending was flat in real terms for the second month running.

Labour markets were weak. Initial claims for unemployment insurance rose by 24,000 to 468,000 in the week to January 18, a level that has signalled recession in past business cycles.

Bush's deadline angers Democrats, Page 4

Reynolds and Ahern move ahead in Fianna Fail leadership race

Haughey to stand down as Irish PM

By Tim Coone in Dublin

A WEEK-LONG campaign for the Irish premiership was set in train yesterday following Mr Charles Haughey's announcement of his resignation over a 1982 telephone-tapping scandal.

He announced his decision at a parliamentary meeting of his Fianna Fail party, saying: "I have decided that to end the present political uncertainty, the time has come for me to hand over to a new leader who will have the opportunity to further advance the best interests of the country and the people and to build on the achievements of recent years."

Mr Haughey was presented with an ultimatum last week by his junior coalition partner, the Progressive Democrat party, either to resign or face a general election.

He will formally hand over the party leadership at a parliamentary group meeting convened next Thursday, at which a new leader will be elected.

Mr Haughey will remain prime minister until the following sitting of parliament on February 11. The Progressive Democrats are expected to support Fianna Fail's choice of new leader.

Mr Albert Reynolds, a 56-year-old former finance minister who was sacked by Mr Haughey for heading a leadership challenge last November, is the leading candidate in the succession stakes and can count on strong backbench support.

His hopes could be dashed, however, by Mr Bertie Ahern, the new finance minister, who on Wednesday presented a Budget of sweeping tax reforms which has been widely welcomed by business and trade unions alike.

Irish prime minister Charles Haughey: time to end the political uncertainty

Mr Ahern, who is 40, has in the past strongly disavowed any immediate leadership ambitions, but yesterday evening he was being pressed by several of his cabinet colleagues to challenge Mr Reynolds. If Mr Reynolds were to become the new prime minister, he would be likely to appoint a new cabinet.

Mr Ahern said last night he was "consulting with his colleagues what is in the overall best interests of the party".

The two potential rivals are close friends and hold similar views on economic policy. They met yesterday evening to discuss the leadership race.

There are two further contenders: Mrs Mary O'Rourke, the health minister, and Mr Michael Woods, agriculture minister. Mrs O'Rourke supports reforms to Ireland's outdated social legislation on issues such as divorce and women's rights.

She could be viewed as a strong candidate to lead Fianna Fail into the next general elections due early in 1994.

Electrical appliances for UK must have fitted plugs

By Daniel Green in London

THE PECULIARLY British custom of requiring consumers to attach their own plugs to electrical appliances is coming to an end.

Soon there will be no more fiddling with tiny screws and trying to discern which terminal takes which coloured lead.

The UK government yesterday bowed to five years of lobbying from safety groups and said it would insist that electrical appliances be sold with plugs attached. At present, almost all of the 60m plugs sold each year are fitted at home.

Mr Edward Leigh, UK consumer affairs minister, said domestic appliances should be supplied fitted with a correctly fused 13 amp plug. "Too many people are injured every year because of incorrectly wired electric plugs," he said.

The regulation is expected to take effect within about 18 months, although no date has been set.

Welcoming the move, the Royal Society for the Prevention of Accidents (Rospa) said: "It's common practice everywhere else in the world to sell electrical goods with a plug attached." It said the requirement should eliminate hospital visits by people injured by electric shocks at home.

In 1991, a woman was electrocuted when the live wire in the plug of a washing machine became detached.

The Association of Manufacturers of Domestic Electrical Appliances said the change "would add 10 per cent to the cost of a £15 to £20 appliance" such as a toaster or iron.

"It's painful for us to see all these costs piling on," added Mr Richard Lines of Hornby Hobbies, which makes such Christmas stocking staples as model railways and the Scalextrix electric car racing circuits.

But Sony, which has made televisions fitted with plugs at its plant in South Wales for a year, said the extra cost of adding a plug was "a few pence" per unit on a production run of hundreds of thousands.

Although the UK is coming into line with continental Europe in insisting on fitted plugs, it is stuck with the bulky three-pin variety.

Switching over to slimline designs used in the rest of Europe and North America would not only involve changing millions of wired-in sockets but possibly the National Grid: the smaller plugs mostly work with 110 volts supplies, and the UK uses 240 volts.

THE LEX COLUMN

Sir Bryan's soft farewell

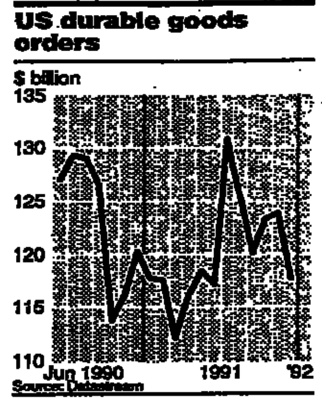
It is tempting to wonder how Sir James McKinnon would have approached yesterday's consultative paper from Oftel on BT's prices. Instead of the thorough but uncontroversial document produced by the retiring Sir Bryan Carsberg, the gas regulator might have thrown a brickbat or two on behalf of consumers. As the market was quick to realise, the absence in Oftel's paper of any severe response to BT's continued market dominance augurs well for shareholders, less so for customers. It looks as if Sir Bryan intends to go quietly.

Indeed, the striking thing about BT's sluggish third quarter results was the neatness of their fit with Oftel's views on BT's proper rate of return. Recession and the tighter price cap introduced by last year's duopoly review have temporarily reduced BT's return on capital to just below 20 per cent. But that is still near the upper end of the range regarded as acceptable by the regulator. If BT can do this well in a recession, it can presumably earn excessive returns later on. Whether it does so will be the measure of Oftel's success in this pricing review.

It has emerged that while BT makes losses on line rentals and profits from UK long distance calls, they are respectively much smaller and larger than was generally suspected. As Oftel says, BT's case for a swift rebalancing of prices to remove this cross-subsidy looks correspondingly weaker. Doubtless, Mercury will be pleased; competing with BT's call charges is clearly not as difficult as it should be. It should also please domestic customers, who would bear the brunt of higher rentals.

FT-SE Index: 2,550.8 (+4.3)

US durable goods orders



Source: Datastream

Rank Organisation

Investors were deceived by Lonrho's example in marking Rank down so steeply this week. There was no dividend cut after all: earnings are more than enough to cover a maintained payment. There was no rights issue either: gearing is high but there is no immediate pressure to reduce it. Yesterday's 8 per cent jump in the share price leaves it slightly higher than before the scare. But there is still the question of whether the underperformance of nearly 40 per cent since mid-1989 is now set to reverse.

Even without much help from the economy, Rank should manage a modest increase in profit this year, while funding enough capital spending from cash flow to maintain an edge over its competition. Disposals will reduce gearing, though probably not to the long-term target range of 50 per cent. That does not point to a higher dividend, but it should at least be maintained. The yield is thus 6½ per cent, a comfortable underpinning for a recovery stock.

Any revival of consumer confidence should feed through quickly into margins. In Rank's case the earnings benefit would be compounded by a reduction in the tax rate, as a smaller proportion of group profits would flow from highly-taxed Rank Xerox. The ACT problem which cost £7m should also disappear. A prospective multiple of 13 thus looks undemanding, especially since fears of a Mecca black hole are dying down.

UK brewing

The UK beer market's capacity for change is becoming slightly unnerving. The deals announced yesterday between Bass and two local London brewers illustrate the latest trend: the revival of real ale and the retreat of lager. Bass is to sell old-style bitter from Young's and Fuller's in its pubs while they sell Bass lager in exchange. From Bass's viewpoint, this may be a pragmatic response to a shift in fashion. The wider question is how far the economics of big brewing rely on lager holding its 50-plus per cent share of the national market.

Given the distorting effects of recession, the underlying pattern is not yet clear. But while premium lagers may not be losing ground, the big standard lagers and keg bitters are. These are the brands which offer the national brewer the biggest economies of scale and provide barriers to entry. Some ground may therefore be lost to competition. The big brewers will still control the channels of distribution; whether they can command the same margins in a fragmented market is another matter.

It might be thought that the regional brewers would benefit accordingly. But control of distribution is everything. In 1988, Marston's, another regional brewer, did a pioneering bitter-for-lager deal with Whitbread. Within three years, Marston's said, sales of its main brand should be up 50 per cent. Three years on, its profits are lower than they were then. Sales through Whitbread, it says, "continue to be disappointing". It seems the diversity which is the consumer's gain is also the industry's loss.

Tunnel builders

Given that the Taylor Woodrow share price has halved in the past 12 months, underperforming the sector by 30 per cent, yesterday's 7 per cent fall might seem neither here nor there. Indeed, the setback is only the latest sign of the company's fall from grace; but a wider issue for investors is the message Taylor is conveying about the size of provisions UK and French contractors may have to take on the Channel tunnel.

These are highly sensitive times for the 10 companies grouped together in Transmanche Link (TML), which are not only involved in tense negotiations about cost overruns with Eurotunnel but are busy drawing up their 1991 accounts. Not surprisingly, therefore, this week's reliable rumours that Taylor Woodrow is considering a £15m tunnel-related hit for 1991 plus possibly the same again for the current year have been greeted with ill-disguised anger and astonishment by other members of the consortium.

Judging the outcome of the Eurotunnel-TML talks, or the timing of their conclusion, remains as hazardous as ever. But however unwelcome for those with less robust balance sheets and uncertain dividends, the apparent gulf between TML's claim and Eurotunnel's offer thus far suggests the Taylor Woodrow figures are not extravagant. Or time could prove the contrary, confirming the suspicion that Taylor is happy to throw as much bad news as possible into 1991. The confusion will not only act as another brake on the contracting shares. It may dampen the traditional New Year enthusiasm for Eurotunnel.

German carmakers warn of job losses

By Andrew Fisher in Frankfurt

JOB CUTS at German carmakers are inevitable because of high labour and manufacturing costs and the need to slim down in line with the rest of the European manufacturers, the industry association (VDA) warned yesterday.

It also said the possibility of a steel industry shutdown – a strike ballot to be completed tomorrow is expected to show a big majority for a stoppage – would hit car manufacturers in two days. Steel stocks are low because the industry has been operating at full stretch to meet domestic demand.

Mrs Erika Emmerich, the VDA's president, said Germany's advanced technological standards were no longer enough in the face of fierce worldwide competition. "Whichever way you look at it, we produce too expensively," she said.

Jobs in the motor industry had fallen by 10,000 in the last few months of 1991; this followed a rise of the same amount to 787,000 (including components makers) in the first seven months, mostly spurred by post-unification demand.

Mrs Emmerich's comments are in line with recent complaints in much of German industry that high labour costs, tough environmental laws, and lengthy approval processes for new plants are eroding competitiveness.

This year will pose challenges for the German motor industry as the recent surge in domestic demand is likely to be followed by an expected 12-15 per cent decline while foreign markets will remain depressed.

Mr Achim Diekmann, the VDA's general manager, said production levels could only be maintained if manufacturers raised their share of foreign markets. Last year, west German car output was unchanged at 4.7m units, with truck production 12.5 per cent higher at 356,000. Car exports fell by 16 per cent to 2.2m.

He declined to estimate what effect this might have on unemployment.

● The German union DAG said it wanted a 10 per cent pay rise for 3.3m west German shopworkers, Reuter reports from Hamburg.

Deputy union leader Hubert Gartz said that solid retail profits meant it was incomprehensible "that pay in this sector is among the lowest of workers in Germany".

The union said it wanted wages in east Germany to reach western levels quickly, but a rise at least to cover inflation was needed in the short term. East German shopworkers' wages now average 67 per cent of west German levels.

Italian bank is granted new powers

By Haig Simonian in Milan

ITALY'S politicians yesterday approved a long-awaited law granting much greater independence to the central bank regarding monetary policy. The law is part of a torrent of new legislation being passed before next week's expected dissolution of parliament.

The move has been accompanied by a reorganisation of the Treasury. Together, the two steps form part of a bid to improve Italy's economic and monetary policy management and bring the country closer into line with European Community commitments on economic and monetary union.

The most obvious symbol of the changes involves the divorce of the Bank of Italy and the Treasury in the setting of the discount rate. The rate was previously determined by the Treasury on the central bank's recommendation. The Bank of Italy will now be free to set the discount rate independently.

To reinforce its own economics team, the Treasury has appointed five new director-generals including Mr Francesco Giavazzi, a prominent economist from Milan's Bocconi university.

The changes are also expected to include the establishment of a 10-man council of permanent advisers – probably comprising top economists – to further reinforce the Treasury.

Nissan UK former chief sought by tax authority

Continued from Page

they had "cheated" the Inland Revenue of corporation tax between October 1 1975 and March 31 1983 "with intent to defraud". The charges alleged that they had arranged "dishonestly" for the preparation of "falsely inflated" invoices by a Dutch company Autocontex BV showing sums for freight charges allegedly due from Datsun UK (now called Nissan UK).

The charges stated that the invoices were charged in the Nissan UK accounts for the accounting periods ended December 31 1976 to July 31, 1983 causing pre-tax profits to be understated by around £50m.

Mr Hunt and Mr Shannon are to appear again in Worthing magistrates court on February 25. Mr Thorsen from Grimstad, Norway, is to appear again in Teesside magistrates court on March 26. All three were released on bail.

Mr Hunt was released on bail totalling £175,000 and on condition that he surrendered his passport and resided at home.

He gave an undertaking "not to exert influence concerning the investigation of the prosecution on any witnesses or potential witnesses including persons who have connections with Nissan UK past or present."

Nissan UK said yesterday that Mr Botnar was on holiday in Switzerland.

Late last year Mr Shannon, Mr Brian Laventure, a partner in the Portsmouth office of Grant Thornton, the personal and corporate tax adviser to NUK, and Mr Gerald Compton, a partner in Kidsons Impey, the NUK auditor, were arrested and charged with conspiracy to cheat the Inland Revenue.

They were charged in Worthing magistrates court with conspiring to cheat the Inland Revenue by filing false stock relief claims for Datsun UK, the former name of Nissan UK, for the accounting periods ended July 31 1980 and the year ended July 31, 1981 amounting to £9m and £5.5m.

The charges claimed specifically that the three men conspired between March 19, 1980 and July 14, 1984 at Worthing and elsewhere:

● to bring forward the accounting date for Datsun UK from December 31, 1980 to July 31, 1980, "falsely representing" that the change had been done for commercial reasons unconnected to any tax liability, whereas "the sole or main benefit" of the change had been to increase Datsun's claim to stock relief, and

● had caused the Inland Revenue to allow Datsun UK false stock relief claims for the two periods of around £9m and £5.5m respectively.

They are due to appear again in Worthing court on these charges in late February.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	14	57
Algiers	F	15	59
Amsterdam	C	2	36
Athens	S	18	65
Bahrain	R	13	55
Bangkok	F	34	93
Barcelona	S	14	57
Beirut	F	11	52
Belfast	C	5	41
Belgrade	C	3	37
Berlin	C	4	39
Biarritz	S	11	52
Bombay	S	29	84
Bordeaux	S	11	52
Boulogne	S	7	45
Brussels	Fg	-1	30
Budapest	S	6	43
Buenos Aires	C	28	82
Cairo	C	16	61
Cape Town		-	-
Caracas	C	27	81
Casablanca	C	16	61
Chicago	S	-1	30
Cologne	Fg	-2	28
Copenhagen	S	5	41
Corfu	S	13	55
Dallas	S	7	45
Dublin	F	6	43
Dubrovnik		-	-
Edinburgh	C	2	36
Faro	S	15	59
Florence	S	13	55
Frankfurt	C	0	32
Geneva	S	1	34
Gibraltar	R	14	57
Glasgow	C	2	36
Helsinki	S	1	34
Hong Kong	S	22	72
Innsbruck	S	3	37
Inverness	S	2	36
Islamabad	R	11	52
Istanbul	Sn	4	39
Jakarta	R	30	86
Jersey	S	8	46
Johannesburg		-	-
Lima	F	27	81
Lisbon	S	11	52
London	C	3	37
Los Angeles	S	14	57
Luxembourg	S	9	48
Madeira	S	18	64
Madrid	S	7	45
Majorca	F	14	57
Malaga	F	16	61
Malta	F	15	59
Manchester	F	3	37
Manila	F	31	88
Melbourne	S	17	63
Mexico City	C	13	55
Miami	Fg	19	66
Milan	F	9	48
Montreal	Sn	-1	30
Moscow	Sn	-2	28
Munich	F	2	36
Nairobi		-	-
Naples	F	12	54
Nassau	C	28	82
New Delhi	R	16	61
New York	S	-1	30
Nice	S	15	59
Nicosia	S	12	54
Oporto	S	13	55
Oslo	S	-1	30
Paris	S	6	43
Peking	S	1	34
Prague	C	1	34
Reykjavik	C	5	41
Rhodes	S	13	55
Rio de Janeiro	C	37	99
Rome	C	11	52
Salzburg	F	3	37
San Francisco	S	8	46
Seoul	S	3	37
Singapore	C	26	79
Stockholm	F	6	43
Strasbourg	S	3	37
Sydney	F	22	72
Taipei	F	25	77
Tangier	F	15	59
Tel Aviv	S	11	52
Tenerife	C	18	64
Tokyo	F	7	45
Toronto	C	-1	30
Tunis	F	14	57
Valencia	S	13	55
Venice	F	10	50
Vienna	S	5	41
Warsaw	S	3	37
Washington	F	-1	30
Zurich	S	-3	27

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Friday January 31 1992

INSIDE

Dow Chemical loses $94m in last quarter

Dow Chemical, the second biggest US company, announced a $94m loss in the fourth quarter of 1991, compared with a $273m net profit last year. Dow blamed the slowdown in the global economy, weak industry fundamentals, and a $370m pre-tax charge related to plant shutdowns and asset write-offs. Page 22

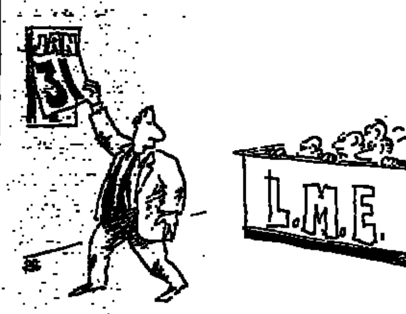
Rising sales for Coca-Cola

The rapid growth of soft drink sales outside the US helped Coca-Cola, the leading US carbonated beverage company, to achieve a 17.1 per cent increase in 1991 net profits, to $1.6bn. The group's international soft drinks division achieved 19 per cent higher profits of $2.14bn. Page 22

NZ brewer expands in Australia

Lion Nathan, New Zealand's biggest brewer, is to buy the 50 per cent it does not own in National Brewing Holdings, Australia's second biggest brewer, from Australian Consolidated Investments for A$425m (US$319.5m). Page 21; UK groups' purchase, Page 21

Sigh of relief for zinc traders



Traders on the the London Metal Exchange seem to have avoided a technical squeeze in the zinc market that threatened to strike in February. But did the squeeze collapse because the exchange frightened off those responsible or did those behind it already achieve their objectives? Page 28

More BMWs for the road

BMW, the upmarket German carmaker, expects to produce and sell more cars in 1992 after a year in which turnover rose by 10 per cent to DM29.8bn ($18.6bn). The company gave no profit figures, but said its results had improved. Page 20

BT rings up £759m profit

BT, the UK telecommunications company, unveiled a 4 per cent decline in pre-tax profits in the third quarter to £759m ($1.37bn) from a previous £787m. Page 25; Lex, Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Rises		
Rises				[illegible]	360	+ 26.9
AEG	224.5	+	8.8	[illegible]	643	+ 23
Ad Int & Verk	690	+	24	Valeo	648	+ 27
BMW	489	+	16	Falls		
[illegible]	470	+	10	Intertechnique	701	- 29
Varta	302	+	11.5	[illegible]	900	- 24
Falls				[illegible]	478	- 19
[illegible]	550	-	10	TOKYO (Yen)		
NEW YORK ($)				Rises		
Rises				[illegible]	4070	+ 420
[illegible]				Japan Digital	3000	+ 400
[illegible]				Showa Highpoly	1100	+ 104
[illegible]				Sony Music	5210	+ 500
[illegible]				TYK	600	+ 60
PARIS (FFr)				Falls		
[illegible]				[illegible]	1100	- 200

New York prices at 12.30.

LONDON (Pence)				Falls		
Rises						
[illegible]	135	+	15	Albert Fisher	71	- 6
[illegible]	22	+	2	Amber Day	71	- 8
[illegible]	423	+	22	Appl Holographics	116	- 9
[illegible]	398	+	14	[illegible]	31	- 2
[illegible]	246	+	13	[illegible]	231	- 17
[illegible]	78	+	5	Jourdan (T)	30	- 3
[illegible]	479	+	15	ML Holdings	43	- 10
[illegible]	236	+	21	Smith (WH) A	445	- 14
[illegible]	840	+	45	Taylor Woodrow	114	- 8
[illegible]	163	+	7			

Usinor Sacilor reports loss and job cuts

By William Dawkins in Paris

USINOR SACILOR, Europe's largest steelmaker, yesterday estimated net losses for 1991 at FFr3.1bn ($563m) and announced plans to lose 8,000 staff, just over 13 per cent of its workforce, in the next three years.

This is the French state-owned group's first loss since 1987. It is further evidence of the decline in prices and demand that has swept the US and European steel industries.

Mr Francis Mer, chairman, said the downturn was "worse than we feared", but that Usinor Sacilor was "practically certain" to make a net profit this year on the grounds that most of its main markets would begin to stabilise.

To support Mr Mer's guarded optimism, Moody's, the US credit rating agency, yesterday accorded a Prime-1 rating to the French group's short-term borrowings. Moody's said Usinor Sacilor's operating cash flow compared well with European and North American competitors, it had achieved great efficiency improvements and its state ownership was a source of strength.

The group's turnover rose slightly from FFr96.1bn in 1990 to FFr97.1bn last year, though there was an underlying 7 per cent decline when adjusted for acquisitions.

Operating profits collapsed from FFr4.4bn to FFr400m over the same period, mainly due to losses from the long products division – beams and wire for the depressed construction and engineering industries – which represents one-fifth of sales. However, the group made an operating profit from stainless steel, flat products – such as sheet for cars and household goods – and long products for the mechanical construction industries.

French steel consumption fell by 6.5 per cent last year, slightly faster than the 5 per cent decline in European Community steel use, according to the French steel federation. Mr Mer expected the decline in demand to lessen or flatten out in the current year.

The FFr3.1bn group net loss, which compares with a FFr3.5bn net profit in the previous year, comes after a FFr700m tax charge and FFr2.8bn of provisions for restructuring.

The largest single part of the job losses is to come from the closures of integrated steelworks and long products plants in Lorraine and Normandy. Usinor Sacilor wants to concentrate more production on low-cost electric arc furnaces.

These reductions, announced to the workforce at the end of last year, are small compared with the 100,000 job losses Usinor Sacilor has made over the past 15 years. But they have been criticised by Mrs Edith Cresson, the prime minister, who wants the public sector to help her campaign to reduce unemployment.

Simon London on why some UK fund managers are looking at bonds

History's vanquished return to favour

There is a growing debate between UK fund managers content to pursue proven equity-led investment strategies and those arguing for increased investment in bonds.

The case for equities is overwhelming: in the 1970s and 1980s equities offered an average annual real return of 8.1 per cent, against 0.8 per cent from bonds. Over longer periods a similar pattern emerges. This encouraged institutions to switch funds out of bonds and into shares. UK pension funds held about 45 per cent of assets in bonds in the mid-1960s, falling to just 8 per cent by September last year.

However, in December Norwich Union, the mutual insurance group, announced that its main fund had built up a 16 per cent holding of bonds, from zero at the start of last year. GT, the fund management group which has about £6bn ($10.8bn) under management, now holds some 23 per cent of its balanced funds in bonds. It held nothing during the 1980s.

"There is an excess of funds in the UK equity market which has been built up over the past decade," said Mr Nick Train, investment director at GT Unit Managers. "It is difficult to see where the next marginal buyers of equities are going to come from. This imbalance could take another decade to put right."

This argument is backed up by the observation that, if you believe pegging sterling to the D-Mark within the exchange rate mechanism will result in lower UK inflation, bonds at current yields offer exceptional value.

For example, long-dated gilts offer a yield of about 9.5 per cent. If future governments can maintain inflation at about 3.5 per cent, the German average over the past 25 years, this implies 6 per cent real return.

Bonds have been a poor investment ever since the UK economy started to run with a high level of inflation in the mid-1950s. In countries with a better inflation performance, the bond market has been of at least equal importance to the equity market as a magnet for institutional funds.

In 1988, Japanese pension funds held 55 per cent of assets in bonds, against 47 per cent in Canada, 38 per cent in the US and 28 per cent in Germany. However, even in these low-inflation countries, bonds have substantially under-performed equities.

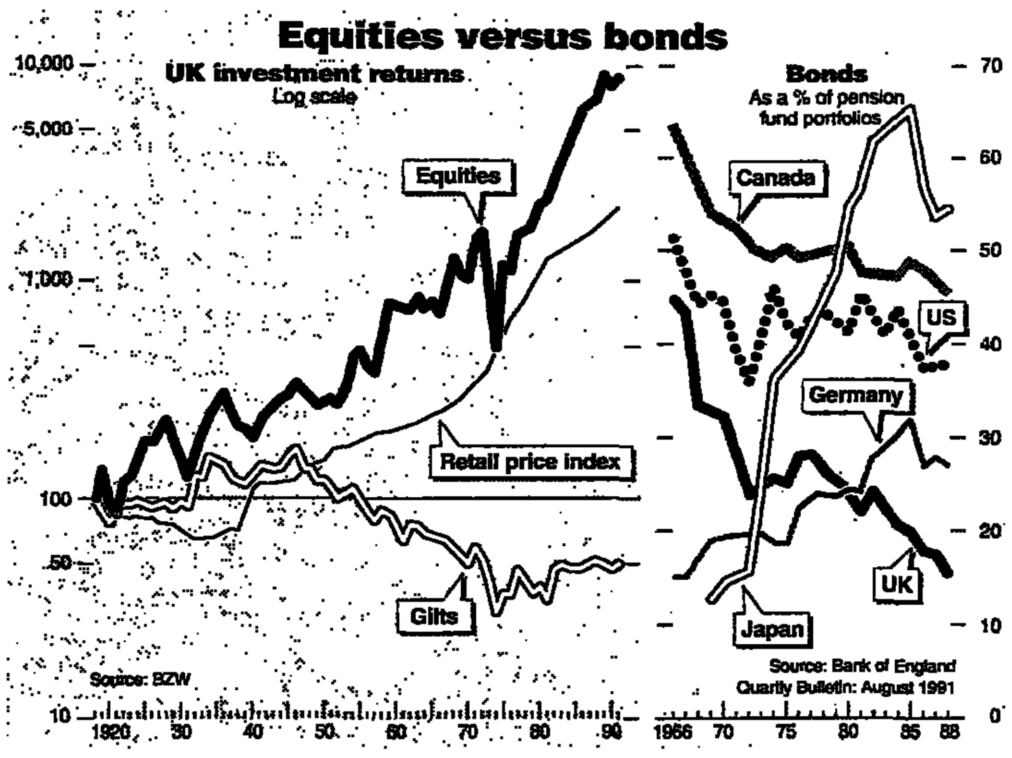
The average annual real return to a Japanese holder of Japanese bonds was just 0.2 per cent in the years 1967-90, against 10.9 per cent from Japanese equities. German bonds averaged a real return of 2.7 per cent over the period, against 9.5 per cent from equities. US bonds returned an average loss of 0.6 per cent, against an annual return of 4.7 per cent on equities.

These figures suggest that factors other than investment performance are as important in deciding how much money is devoted to the bond and equity markets. For example, continental European countries are only now developing competing funded pension schemes which set aside assets over a long period to meet future liabilities.

Under these circumstances, foreign fund managers have preferred low-risk, low-return government bond investments and the certainty of a fixed income from bonds.

Another factor relevant to the UK is the maturity of pension funds. When a fund is new, outgoings in the form of pension payments are low and income from contributions is high.

Fund managers' chief concern is to protect the capital value of investments. Equities have been historically the best way of achieving this. Yet when a fund is mature, outgoings will increase and the fund manager becomes more concerned with achieving a guaranteed stream of income.



"Techniques of asset-liability modelling are leading more funds to look at their cash flows and question whether they should move more into bonds," said Mr Martin Shaw, chief executive of Baring Investment Management, which manages £6bn for more than 100 separate pension funds.

The ageing of the population means that many UK pension funds are reaching maturity: outgoings relative to inflows are increasing. For example, in 1980 the net inflow of cash into UK pension funds amounted to 19 per cent of assets; by 1990 this had fallen to 4 per cent. However, the argument in favour of bonds only becomes compelling if sterling's membership of the ERM squeezes down corporate earnings and dividend payments along with inflation.

During the 1970s and 1980s equities provided capital growth and real growth in investment income. Even mature pension funds which needed to finance current pension payments had no reason to buy bonds.

Most pension fund managers believe they need at least to match wage inflation – usually about 2 percentage points higher than retail price inflation – if future commitments are to be covered.

Real dividend growth ran at an average rate of 5.7 per cent cent during the 1980s, easily in excess of the target. But can real growth in dividends be maintained if the economy remains depressed over a number of years rather than just months?

There is an argument that institutions pressed companies to deliver abnormally high dividend growth during the 1980s to meet their growing pension commitments. Some fund managers say the strain of maintaining dividends is starting to show. Last year dividends paid by companies were more than half earnings for the first time in 10 years.

But only a few institutions have allocated more funds into bonds. UK pension funds sold a net £3bn gilts in the nine months to the end of September, suggesting that most fund managers still see equities delivering both real income growth and capital growth.

Paribas slides into FFr200m deficit

By Alice Rawsthorn in Paris

THE collapse of the Maxwell empire contributed to FFr2.8bn ($510m) of extraordinary provisions made last year by Paribas, the French investment banking group, and to its slide into an estimated net loss of FFr200m for 1991 from net profits of FFr2.5bn in 1990.

Moody's, the US credit rating agency, yesterday announced it was putting the Paribas loans and long-term debt under surveillance for a possible rating reduction. Moody's will pay particular attention to the possible deterioration in the quality of the banking group's assets.

Paribas, like several other prominent Parisian banks including Crédit Lyonnais and Banque Nationale de Paris (BNP), made a number of loans to the disgraced media mogul's companies through its Paribas Suisse subsidiary. It has fully covered its exposure to Maxwell interests with an extraordinary provision of FFr800m. Crédit Lyonnais and BNP, both state-owned banks, have far higher exposure to the Maxwell débâcle than Paribas. Paris banking analysts estimate that the overall level of Maxwell loans owed to the French banking industry is about FFr15bn.

The announcement of Paribas' provisions came as no surprise to the French stock market given that Mr André Lévy Lang, president, earlier this month warned that his group would be making provisions on a number of large corporate loans. Paribas later issued a statement saying it would also be making provisions for its Maxwell loans.

Paribas managed to increase its operating income to FFr3bn, from FFr1.6bn, including minority interests in 1991 and to FFr1.7bn, from FFr400m, excluding minorities.

However, the group experienced a fall in its income from capital transactions to FFr800m, from FFr2.5bn, including minorities and to FFr700m, from FFr2.1bn, excluding minorities.

Paribas said this reflected the state of the market.

The level of ordinary banking provisions rose to FFr6.6bn from FFr5.5bn in 1991. Net profits including minority interests fell to FFr1bn from FFr4.1bn.

Paribas has continued to participate in the French corporate scene notably in the forthcoming FFr3.5bn bid by Fougerolle, the construction group in whose parent company the banking group is a significant shareholder, for Société Auxiliare d'Entreprise, one of its chief competitors.

UAL loses $253m in quarter and cuts capital spending

By Martin Dickson in New York

UAL, the parent company of United Airlines, yesterday reported its largest ever quarterly loss – $252.6m – and warned that it planned to cut its capital spending by at least $2bn over the next three years because of the sluggish economic outlook.

The capital spending cuts represent about 13 per cent of the $15.8bn the airline has budgeted for 1992-95, but it declined to specify where the axe would fall.

Other US airlines have also been trimming their capital expenditure plans for the next few years, but so far this has not impinged seriously on the order books of Boeing and McDonnell Douglas, the two large American civilian aircraft manufacturers.

UAL, which had repeatedly warned Wall Street about poor fourth-quarter figures, took $130m of special pre-tax charges in the period. Some $64m was to cover what it called "retroactive pay and benefits related to the settlement of labour contracts".

The rest covered expenses for the settlement of certain disputes, the write-down of parts due to the removal of DC-8s from its fleet, and increased accruals for employee benefits and purchased services.

The fourth-quarter losses, which the special charges augmented by $85m, worked through at $10.69 a share. That compared with a loss of $123.5m, or $5.66 a share, in the same period of last year. The company's previous record quarterly loss, $157m, occured in the first quarter of last year, when air traffic was badly hit by the Gulf war.

In 1991 as a whole, the company lost $331.9m, or $14.31 a share, compared with net earnings of $94.5m, or $4.33 a share, in 1990. Mr Stephen Wolf, chairman, said the losses were an "exceedingly unsatisfactory end to a very dismal year". Looking ahead, he said prices had shown some improvement, although certain markets continued to have "low, non-compensatory fare levels" and first-quarter traffic trends reflected a sluggish economy.

In the final quarter revenue passenger miles rose 8.7 per cent to 20.3bn, but passenger revenue per mile dipped 1.4 per cent to 12.6 cents. Load factor was up 1.3 points from 62.8 to 64.1.

● Pan Am, the airline which ceased operations in early December, announced yesterday that it was suing Delta Air Lines for damages of at least $2.5bn. It alleged that Delta's breach of a funding agreement between the two had forced it to stop flying.

Little progress from Tiny letter

By Richard Donkin in London

HOUSE of Fraser Holdings delivered a barbed peace offering to Lonrho, the international trading group, yesterday in an effort to end a dispute that has dragged on for nearly seven years.

This was the latest exchange in a battle that started after Mr Mohamed Al-Fayed and his brother Ali, acquired control of House of Fraser, which owns Harrods, the luxury store in London, when Mr Rowland sold them Lonrho's own shareholdings in the company in 1984.

The white flag was extended in a letter to Mr Tiny Rowland, the Lonrho chairman, from Mr Royston Webb, legal director of House of Fraser Holdings.

The letter began: "Dear Tiny, you must find the events of the last few days very depressing. Lonrho shares have halved in value in eight weeks and your deputy chairman has broadcast that everything, including his desk, is for sale."

Pleasantries over, it suggested that Mr Rowland might permit a representative of House of Fraser to address Lonrho shareholders at the company's forthcoming general meeting.

The ink was still sizzling on the page when Mr Rowland delivered a blunderbuss response by return of motorcycle dispatch rider. He said: "The company you represent is now so sunk in debt that Harrods, the once proud flagship, can barely be said to be trading at all."

He was confident, he said, that his various court actions against the Al-Fayeds would result in the award of massive damages to Lonrho. Mr Webb, he said, could not expect the "wild suggestion" of addressing the Lonrho AGM to be taken seriously. "It has not been. The matter will be resolved in the proper forum – the High Court of Justice."

Last November, a meeting was set up between Mr Rowland and Mr Webb. The first proposed encounter at Claridges Hotel ended disappointingly when Mr Rowland was ambushed by a photographer. The picture appeared in a Sunday newspaper. After an exchange of letters a second meeting was arranged in which negotiations began on a settlement.

The Al-Fayeds even offered to remove the name Tiny from their stuffed shark hanging in the Harrods food hall, but the talks ended in the usual acrimony.

INTERNATIONAL COMPANIES AND FINANCE

Solvay shares tumble on news of 40% profits fall

By Andrew Hill in Brussels

SHARES in Solvay, Belgium's largest chemicals group, fell 4 per cent yesterday after the company *announced a 40 per* cent drop in group profits for 1991, excluding extraordinary items.

Capital expenditure, research and development spending and general overheads will either be cut or frozen in an attempt to offset recessionary pressures, but Solvay warned that 1992 was unlikely to be a better year for the company.

Solvay – one of the world's top 20 chemicals groups and headed by Baron Daniel Janssen – will publish formal annual figures in April, but yesterday's statement indicated they would show full-year net profits of just under BFr13bn ($398m), including some BFr2bn of extraordinary gains, against BFr15.9bn in 1990.

Stripping out all extraordinary items, Solvay's profits *apparently dropped from* BFr17.8bn to less than BFr11bn in 1991 – only just over half the equivalent profits figure for 1989.

Baron Janssen: warned of fall last September

The group's dividend – which was increased for 1990 despite a fall in earnings – will not be announced until April, but a spokesman pointed out that Solvay had repeatedly said it would not cut its payout. "I'm sure that statement is valid today, but there is still one quarter to run between now and when the decision has to be taken," he added.

The group heralded a fall in 1991 profits last September, but the Belgian market was still disappointed by the news and the shares lost BFr500 to close at BFr12,100 yesterday. Brussels brokers were pessimistic about the immediate future.

Solvay was hit by a fierce downturn in its plastics activities during the second half of last year. Sales slumped following increased competition from east European imports of polyvinyl chloride (PVC), and the division barely broke even.

The group's core alkalis sector had also suffered "significantly lower" profits.

Overall sales volume slipped by 3 per cent, but Solvay said consolidated turnover was "close to" the 1990 figure of BFr255bn.

Cash-flow was down by 3 per cent, or 16 per cent before extraordinary gains.

ICI faces charges of restrictive practices

By Peter Bruce in Madrid and Paul Abrahams in London

ICI, the UK-based chemicals multinational, is facing possible legal action in Spain following charges of restrictive practices made by the local partner in its biggest Spanish joint venture, ICI-Zeltia, a producer of agrochemicals.

Zeltia formally complained to the Spanish Ministry of Industry in mid-December about a "unilateral" ICI decision in 1989 to raise the prices of the joint venture's products by up to 30 per cent "without the slightest justification".

The issue could go to Spain's competition tribunal if it is not settled amicably.

In a statement, Zeltia said the decision to raise prices had "provoked a drastic reduction in ICI-Zeltia's profits and reduced its competitiveness".

Between 1989 and 1990, the joint venture's profits slipped from Pta344m to Pta136m ($1.35m). The company dropped from being the second largest Spanish company in the agrochemicals sector to fourth place, it complained.

The price rises, Zeltia said, had "also made it impossible to export".

ICI is understood to have offered to make a one off payment to compensate its Spanish partners but this has, so far, been rejected.

The company's products are designed to control pests, weeds and diseases. *Under the* 50-50 joint venture, ICI has exclusive distribution rights inside and outside Spain.

ICI said it was aware of Spanish press reports of possible legal action, but did not know if a complaint had been formally made. It said it viewed the threats of action as "sabre-rattling" and expected the dispute to be settled normally within the joint venture.

The group said its commitment to ICI-Zeltia, was demonstrated last year when it agreed to use the company to distribute the products of Stauffer, the US group it acquired in 1987.

Rank Organisation falls 19.7% to £251m pre-tax

By Michael Skapinker, Leisure Industries Correspondent

SHARPLY higher interest costs combined with the recession to push full-year pre-tax profits down 19.7 per cent to £250.5m ($453.4m) at the Rank Organisation, the UK leisure group whose interests include casinos, bingo, the Hard Rock cafes and Butlin's holiday camps.

Sir Patrick Meaney, chairman, said: "I wouldn't wish to pretend that our results are anything but disappointing to us." Although the second half had been better than the first, he said there were no indications of an economic improvement.

Michael Gifford: no rights issue considered by group

Rank's shares nevertheless rose 45p yesterday to close at 640p as the group confounded market rumours that it was going to cut its dividend and announce a rights issue. The final dividend of 20.75p brings the total payment for the year to an unchanged 31p. Mr Michael Gifford, chief executive, said the group had not considered a rights issue.

Turnover was £2.1bn, compared with £1.3bn in 1990. Last year's figure, however, includes the contribution from Mecca, which Rank bought in August 1990. On a comparable basis, 1990 turnover would have been just over £2bn. Trading profit was £186.6m, compared with an actual £145.1m in the previous year, or £192.7m if the figure is adjusted as if Mecca had been in the group throughout 1990. Earnings per share fell from 78.1p in 1990 to 58.4p last year.

Profits rose to £59.4m, against £34.2m or an adjusted £52.6m, in the recreation business, which includes casinos, bingo and amusement centres. Profits also rose to £23.6m – against £5.1m actual, or £22.2m adjusted – in leisure. Profits from holidays and hotels were £78.6m, against £68.4m actual, £78.1m adjusted.

The drop in trading profit came primarily in the film and television businesses which fell to £21.9m from £36.7m actual and adjusted. Profits from Rank's interest in Rank Xerox, the photocopying company were £158.7m, compared with £167.2m in 1990.

Interest costs rose to £93m from £16.2m, due to high borrowing rates and the assumption of Mecca's debts.

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BMW expects sales to expand

By Andrew Fisher in Frankfurt

BMW, the German maker of luxury cars, expects to produce and sell even more cars in 1992 after a year in which turnover rose by 10 per cent to DM29.8bn ($18.6bn) and profits showed a further increase.

Despite his optimism about this year's performance, however, Mr Eberhard von Kuenheim, the chief executive, expressed some misgivings about world economic trends. He also called for more moderate wage and fiscal trends in Germany as the post-unity boom slowed down.

BMW, which has benefited from high demand for the latest generation of its compact 3-series model, lifted car output by 6.5 per cent to 553,000 units; this was despite some disruption during the changeover to the new model. Motorcycle production, accounting for only a small proportion of its total business, was 8 per cent higher at 32,000 units.

Like other domestic and foreign producers, BMW experienced a big jump in its home market sales which increased by 21 per cent to 233,000 cars. German demand has been stimulated by unification as east Germans have bought western cars for the first time and many west Germans have sold their cars into a buoyant second-hand market.

The company gave no profit figures, but said its results had improved again last year. In 1990, pre-tax profits were 6.5 per cent higher at DM1.7bn and net profits up by 25 per cent to DM696m, helped by a lower tax bill.

Bosch reports further decline

By Andrew Fisher

ROBERT Bosch, the German motor components, telecommunications and engineering *group, yesterday reported* a further decline in operating profit and warned that moderate wage deals would be necessary for any improvement in 1992.

Turnover rose 5.5 per cent last year to DM33.6bn ($21bn), with domestic sales up 11.5 per cent to DM17.5bn, helped by the stimulation to demand provided by unification. Foreign turnover was flat at DM16.1bn.

Bosch, owned by a foundation, gave no actual profit figures for last year. In 1990, net *profits fell by 11 per cent to* DM560m.

As a big supplier to motor companies worldwide, Bosch could be a key target – as in the 1984 engineering strike – for selective union action aimed at disrupting the sector. The engineering pay round has not begun, but a ballot by the IG Metall union in the steel industry is expected to lead to a strike.

Bosch's experience in the last strike was one reason for its decision to locate more production abroad. *Another* was the high cost of German production.

Bosch cut its world labour force by around 8,000 people (excluding the impact of acquisitions) last year to try to improve profitability. Most cuts were at German plants.

Bosch also announced plans to take control of two motor equipment companies in Czechoslovakia.

Philips sells defence arm stake

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics group, has sold its remaining 20 per cent stake in Hollandse Signaalapparaten (HSA), the Dutch defence electronics manufacturer, to Thomson-CSF of France, which bought an 80 per cent stake in the company two years ago.

Terms of the deal were not disclosed. The price of the remaining 20 per cent stake *was fixed by both companies* when the original deal was struck in 1990.

Philips said the transaction would not produce an extraordinary gain for its 1992 accounts because it had already booked the full value of HSA in the first quarter of 1990 on the assumption that it would later divest the rest of the subsidiary. In that quarter, the Dutch electronics group recorded total extraordinary gains of Fl 330m, including not only HSA but also the proceeds from divestments of the company's Belgian, French and German defence interests.

HSA, based in the Dutch town of Hengelo, is a leading maker of military telecommunications equipment and claims to be the European market leader in naval command and control systems. It currently has an annual turnover of Fl 800m ($445m) and a workforce of 4,000. Two years ago, it generated sales of Fl 900m with a staff of 5,300.

The sale of HSA completes Philips' full withdrawal from the European defence electronics sector. Its only remaining defence electronics subsidiary is Magiec of the US, which has an annual turnover equivalent to more than Fl 1bn. Despite several years of active searching, Philips has failed to find a buyer for Magiec.

Haarmann & Reimer buys Hercules unit

By Paul Abrahams

HAARMANN & Reimer, a fully-owned speciality chemicals subsidiary of Bayer, the German group, has acquired the worldwide fragrance business of Hercules, the Delaware-based chemical and aerospace conglomerate.

Terms were not announced, but the business has a turnover of about $55m.

Stena to allow foreign investors

By Robert Taylor in Stockholm

STENA LINE, the Swedish shipping group which acquired Sealink, the UK ferry operator, 18 months ago, announced yesterday that foreign investors would be able to buy shares in the company after next Thursday *when trading in its* restricted B shares on the Stockholm bourse will come to an end.

The formal decision to seek government permission to revoke an alien ownership prohibition clause from Stena's articles of association was taken *at last May's* shareholders' meeting. In future, all Stena's restricted shares will become unrestricted.

The company said it had decided to change its share structure because of "the increased level of foreign inquiries" it had received, "not least from interested parties in the UK".

Finland to have new savings bank

By Robert Taylor

FINLAND is to have a new savings bank from September this year with assets totalling FM100bn ($23bn), it was announced yesterday.

To be called Suomen Saastopankki SSP, it will bring together 41 of the present Finnish regional savings banks in the country which between them account for 80 per cent of the assets in Finland's savings bank system.

The new bank will have the largest number of deposits of any bank in the country and it will become the fourth largest commercial bank in Finland when it starts operations.

The chief executive officer is to be Mr Paavo Prepula, the present head of the savings bank in the regional city of Tampere.

INTERNATIONAL COMPANIES AND FINANCE

Lion Nathan expands in Australia

By Bruce Jacques in Sydney

LION NATHAN, New Zealand's biggest brewer, is to buy the 50 per cent it does not own in National Brewing Holdings, Australia's second biggest brewer and formerly Bond Brewing, from Australian Consolidated Investments (ACIL) for A$425m (US$319.5m).

The purchase was announced jointly in Sydney yesterday by Lion and ACIL, formerly Bell Resources. They said the deal was part of a "fall-back" arrangement following the scrapping of an earlier deal to merge Lion and ACIL.

This planned merger, announced in October last year, was a complex arrangement conditional on agreement from Swiss bondholders in ACIL to swap their scrip for new bonds issued by Lion. But ACIL said yesterday it had been informed by Swiss Bank Corporation – as paying agent for the Swiss franc bonds – that the proposed bond exchange was against Swiss law.

"In addition, Schroders Australia Ltd was retained by ACIL to provide an independent assessment of the terms and conditions of the bond exchange," ACIL said.

"Notwithstanding that Lion Nathan was willing to increase the face value of the capital notes from A$356m to $424m, Schroders has advised that on the basis of existing conditions it would be unable to give an opinion that the bond exchange would be fair and reasonable to ACIL bondholders."

ACIL reiterated that its shareholders had agreed to a put and call arrangement which approved the sale of the remaining half of the company's brewery business to Lion Nathan, should the larger merger proposal not proceed.

"Lion Nathan has advised ACIL that it will exercise the call option," ACIL said.

"Lion Nathan will acquire the interest from ACIL for A$425m plus 50 per cent of National Brewing Holdings' 12-month earnings to June 30 1992. The consideration will consist of A$300m of Lion Nathan junior capital stock with the balance consisting of cash and Lion Nathan ordinary shares."

The deal means that Lion, which bought half of National Brewing Holdings from ACIL for A$350m last year, will emerge with control of about 40 per cent of the Australian beer market.

National controls brands including XXXX, Tooheys and Swan.

UK groups buy into NZ liquor business

By Terry Hall in Wellington

LION NATHAN has sold half its liquor manufacturing and distribution business, New Zealand Wines and Spirits, to International Distillers and Vintners, owned by GrandMet, and Hiram Walker, owned by Allied Lyons.

The two UK-based international liquor groups are paying a total NZ$61m (US$33m) and each is acquiring a 25 per cent shareholding.

NZ Wines and Spirits was the family company of Lion Nathan's managing director and big shareholder, Mr Douglas Myers, and there was surprise in New Zealand yesterday that he should sell.

However, Mr Myers said the money raised would be used to repay debt.

NZ Wines and Spirits would continue to be managed by Lion Nathan, and the deal would ensure that existing brand distribution agreements would continue, and allow access to new brands.

He added that the move was a logical step in a trend for brand owning companies to fully or partly own regional distributors.

Mr Malcolm Don, Lion Nathan's corporate treasurer, said the money raised by the sale would be treated as an extraordinary gain for the year to August 31. NZ Wines and Spirits was estimated to be making profits of NZ$20m a year before interest payments and tax.

The new joint venture arrangement is conditional on certain approvals being obtained, but Mr Don said no difficulties were expected.

Kodak to reshape UK imaging operations

By Paul Taylor

EASTMAN Kodak, known worldwide for its consumer photographic products, is attempting to boost its business in office imaging products and services.

As part of a worldwide restructuring, the multinational group's UK subsidiary will announce today that its Copy Products and Business Imaging Systems divisions are being merged to form a new division, Kodak Office Imaging.

Kodak intends to exploit its expertise in handling images in the rapidly expanding electronic business information technology sector.

Kodak Office Imaging will be responsible for providing a range of products and services spanning all areas of business document imaging – scanning, microfilming, digitising, manipulation, enhancement, retrieval, transmitting, receiving, printing, publishing and photocopying.

Mr Mike Mansell, who heads the new division in the UK, said: "Kodak is determined to enhance its customers' business performance by offering complete,tailored solutions across the whole spectrum of office imaging."

Kodak recognises that its commercial business has been overshadowed by its consumer photographic business, and its previous business structure – around an autonomous business units – failed to fully capitalise on commercial customer relationships.

The company is also signalling that it expects to enter into more strategic alliances and co-operative product developments where its can build upon its imaging expertise.

Kodak employs 7,000 people in the UK and has total domestic sales of £400m ($7240m).

USX-US Steel Group expects improvement

MR Charles Corry, chairman of USX, expects the company's USX-US Steel Group to have a better year in 1992 than in 1991, Reuter reports.

Company officials said they thought the business had a good chance to return to profitability in the event of even a modest US economic upturn.

"I don't think this year in steel is going to be as bad as 1991," Mr Corry said.

For the full year, US Steel Group, the nation's largest steelmaker, reported a net loss of $507m, or $10 a share, on sales of $4.9bn.

Mr Corry said he was reluctant to forecast when the US economy might turn up.

But he added that USX does expect the second half of 1992 to be better than the first half. He also said that US Steel had in recent weeks seen a slight upturn in its orders for steel.

Despite the 1991 loss, Mr Corry said US Steel had no plans to close any of its facilities or to set any major lay-offs.

Earlier this week, Bethlehem Steel, the second largest US steelmaker, said it was exiting some of its businesses in a restructuring that would result in the elimination of 6,500 jobs. It also eliminated its 10 cents-a-share quarterly dividend.

Mr Corry noted that USX's board declared the steel group's 25 cents-a-share quarterly dividend on Tuesday, unchanged from the previous quarter. He said any further decision on the dividend would be made on a quarterly basis.

Early in 1991, US Steel had said it would shut down part of its Fairless Works in eastern Pennsylvania. Earlier this month, the company said it was closing its South Works in Chicago.

"We have nothing further in mind at this time," said Mr Corry. "We have honed our operations pretty well."

Bank of East Asia exceeds expectations

By Simon Holberton in Hong Kong

BANK of East Asia, Hong Kong's largest local family-controlled bank, yesterday exceeded market expectations when it reported a 30 per cent growth in profits to HK$504 (US$65m) in 1991 compared with HK$387.7m a year earlier.

The bank usually starts Hong Kong's corporate reporting season and, with profit growth nearly twice that reported a year ago, its results were seen as auspicious for the colony's corporate sector generally.

As is customary with the colony's banks, Bank of East Asia provided little detail of how its profit was arrived at, although it was struck after an unspecified transfer to inner reserves.

Analysts said they thought the declared growth in profits reflected actual profit growth last year. They doubted, however, if the bank would be able to maintain such a high profits growth this year.

Miss Maisie Cheung, an analyst at Baring Securities, said the Bank of East Asia had a large slice of its business in the Hong Kong housing market. The government, which is concerned about spiralling property prices, has encouraged banks to rein in the lending and the longer this restraint continues profits might be less than otherwise, she said.

The bank has been steadily expanding its operations in Hong Kong, China and abroad. Mr David K.P. Li, the bank's chief executive, said the bank planned to open two more branches in the colony this year – bringing the total to 62 – as well a banking subsidiary in Toronto and a new office in the heart of New York's Chinatown.

Directors recommended a dividend of 50 cents a share which, with the interim of 25 cents, makes a total payout of 75 cents – up 20 per cent on last year's dividend. They are also recommending to shareholders a one-for-five bonus issue to be met by capitalising HK$172.1m from the bank's share premium account.

INTERNATIONAL COMPANIES AND FINANCE

Shutdown costs drive Dow Chemical $94m into red

By Alan Friedman in New York

DOW CHEMICAL, the second biggest US company, has announced a $94m loss in the fourth quarter of 1991, compared with a $273m net profit last year. The result again reflects the depressed state of the US chemicals industry.

The company's poor showing comes in the wake of this week's disclosures of a $240m fourth-quarter loss at Du Pont, and a $63m loss in the quarter at Union Carbide.

Dow attributed the fourth-quarter loss to the slowdown in the global economy, weak industry fundamentals, and a $370m pre-tax charge related to plant shutdowns and asset write-offs.

Revenues for the fourth quarter were 11.3 per cent lower at $4.6bn. For the whole of 1991, Dow's net profit declined by 32 per cent, to $935m, on revenues down by 5 per cent, to $18.8bn.

Mr Frank Popoff, Dow Chemical's chief executive, acknowledged the fourth-quarter loss "ends a very disappointing year in which pricing was our major challenge and accounted for about 90 per cent of the profit reduction we experienced". Mr Popoff estimated that lower prices reduced profits by about $800m in 1991.

Dow's chemicals and performance products division suffered a 65 per cent slump in its 1991 profit, to $276m, after special charges relating to the shutdown of chlor-alkali and derivative plants. Sales in the division declined by 11 per cent.

The group's plastic products division also had lower sales and profits compared with 1990, with the latter 50 per cent down year-on-year, to $491m.

The company said the high-volume thermoplastics, including polyethylene and polystyrene, accounted for more than 75 per cent of the drop in sales and earnings.

Dow said its hydrocarbons and energy division suffered a $230m loss in 1991, mainly because of special charges related to asset writedowns.

The consumer specialties division – which generated 57 per cent of Dow's total operating income of $1.7bn in 1991 – had an operating profit 16 per cent higher at $962m.

Mr Popoff said he expected a resumption of growth during 1992 and a return to "positive earnings momentum" in the second half of the year, when the world economy was expected to improve.

On Wall Street, where the decline in chemicals sector earnings has been discounted by investors, Dow Chemical's share price was marked $1¼ higher to $54⅛.

Boeing cautious despite advance

By Martin Dickson in New York

BOEING, the US aerospace group, reported a 27 per cent increase in fourth-quarter earnings but said it expected 1992 revenues to grow only slightly, to around $29.5bn from $29.3bn in 1991.

The world's largest civilian aircraft manufacturer said it expected increased sales in 1992 of its 737 and 757 commercial jets to offset a nominal decline in sales of defence and space equipment.

The company reported fourth-quarter earnings of $403m, or $1.17 a share, compared with $318m, or 92 cents, in the same period of last year. Revenues were $7.75bn, up from $7.01bn. For the full year, Boeing made $1.57bn, or $4.56 a share, compared with $1.38bn, or $4.01, on sales of $27.59bn in 1990.

Mr Frank Shrontz, chairman, said the increase in 1991 earnings was due mainly to better commercial aircraft sales, a lower operating loss at the defence and space business, and a lower tax rate. This was partially offset by higher research and development expenses, principally for its new two-engined, wide-bodied aircraft, the 777, and lower other income.

The defence and space business, which was profitable in the fourth quarter, had an annual operating loss of $102m, down from $418m in 1990. He expected this sector to be profitable in 1992.

Mr Shrontz said the outlook for commercial airlines in 1992 remained uncertain, although traffic and yields appeared to be improving at the year-end.

The economic slowdown had particularly affected demand among all manufacturers for aircraft with fewer than 150 seats, and production rates for Boeing's 737 jet could be subject to further reduction. However, he added that demand for wide-bodied aircraft remained strong.

Boeing's firm order book at the end of December was $97.9bn, compared with $97.2bn at the end of 1990.

Job-cutting charge hits Xerox

By Martin Dickson

XEROX, the US document processing group, yesterday reported a 61 per cent drop in fourth-quarter net income as it took a $175m pre-tax charge against earnings to cover the cost of cutting 2,500 white-collar jobs.

The group reported net income of $91m, or 73 cents a share, compared with $235m, or $2.27, in the same period of 1990. Last year's figures included a $50m gain from the sale of its South Pacific operations and $12m of losses from discontinued operations.

Revenues in the latest quarter dipped from $5bn to $4.9bn.

Xerox announced the $175m charge in December, saying it would eliminate the jobs to create a more efficient, flatter, customer-responsive organisation.

Revenues from its document processing business increased 3 per cent in the fourth quarter, compared with 1990, excluding the South Pacific sale and currency translations.

Fourth-quarter income was $188m, against $180m, excluding special items. The group's insurance and other financial service operations produced fourth-quarter earnings of $47m, down from $68m a year ago.

For 1991, Xerox reported net income of $454m, or 3.91 a share, compared with $235m, or $2.27 a share in 1990. Revenues totalled $17.8bn, compared with $18bn the previous year.

Mr Paul Allaire, chairman, said Xerox had become a more customer-responsive organisation in 1991. It had also increased market share as sales of lower-end, less expensive office equipment continued to show good growth throughout the year. However, the weak economy had hit sales of higher-end products to larger customers.

He said that despite a weak property and casualty insurance market, profits from financial services had been relatively stable.

Goodyear's recovery lifts share price

By Karen Zagor in New York

GOODYEAR Tire & Rubber, the last surviving big US-owned tyres group, expects to post earnings of $96m for 1991, compared with a loss of $38.3m a year earlier.

The news bolstered Goodyear's share price, which rose $¾ at midday to $58⅛.

Goodyear forecasts operating income of $783m on sales of $10.9m for the year.

Mr Stanley Gault, chairman, said the company expects to report fourth-quarter earnings of $105m, including an after-tax gain of $43m from the sale of its Scottsboro Alabama tyre yarn plant.

Proceeds of that sale, with a $600m public stock offering, have helped Goodyear cut debt by $1bn to about $2.6bn.

Mr Gault said the company plans to improve working capital efficiencies while holding capital expenditures below depreciation.

"These actions, together with cash from operations and proceeds from future sales of non-tyre assets should reduce debt below $2bn and produce a debt to debt-plus-equity ratio of less than 40 per cent by the end of 1994."

Coca-Cola rises 17% as foreign sales surge

By Alan Friedman

THE RAPID growth of soft drink sales outside the US helped Coca-Cola, the leading US carbonated beverage company, to achieve a 17.1 per cent increase in 1991 net profits, to $1.6bn.

The earnings improvement was struck on total revenues 13 per cent higher at $11.6bn. Net profits for the fourth quarter of 1991 rose by 21.8 per cent, to $358.4m, on 12.6 per cent higher revenues of $2.9bn.

The growth in full-year operating income, which was up by 18.8 per cent, was led by the group's international soft drinks division, which achieved 19 per cent higher profits of $2.14bn.

Operating income from the US soft drink business rose by 31 per cent, to $469m. The operating profit from Coca-Cola's foods division was 11 per cent higher at $104m.

The company's share price was buoyed by the healthy 1991 results, and by the announcement of a planned two-for-one stock split. The share price was marked $3¾ higher to $75¼.

Soft drink sales volume, as measured by unit cases, rose faster internationally than in the US market. International soft drink volume grew by 6 per cent in 1991, more than twice the rate of US growth.

In the US, volume was 3 per cent higher in the last quarter of 1991, and up by 2.5 per cent for the full year. Coca-Cola yesterday claimed its US market share increased during 1991 by a fraction of 1 per cent, to 41 per cent; this compares with an estimated 33 per cent share for Pepsi Cola, the main competitor.

In the European Community, operating income rose by 15 per cent and unit case sales volume by 8 per cent. This was despite an 11 per cent decline in volume in the UK, which the company blamed on economic conditions.

In Germany, unit case sales increased by 18 per cent, thanks to the company's penetration of the eastern regions of unified Germany.

Scott Paper in loss after charge

By Martin Dickson

SCOTT PAPER, the world's largest manufacturer of toilet tissue, has revealed a fourth-quarter net loss of $157.7m, after taking a large a charge for restructuring and a cut of 3,800 jobs, around 10 per cent of its workforce.

The company warned this month it would be taking a $183m after-tax special charge, about half of it due to job cuts. The figure also includes a gain from the sale of its Japanese joint venture.

Its fourth-quarter loss worked through at $2.14 a share, and compared with a loss of $51.5m, or 70 cents, a year earlier. Excluding special items, earnings per share dropped from 66 cents to 35 cents. Sales totalled $1.32bn, against $1.43bn.

For the full year, it suffered a net loss of $69.9m after special items, or 95 cents, against profits of $148m, or $2.01. The 1991 figures do not include businesses to be divested.

Lotus meets forecasts with $5.8m result

By Louise Kehoe in San Francisco

LOTUS Development, the US personal computers software publisher best known for its spreadsheet programs, reported stronger-than-expected fourth-quarter sales. Income after charges for job cuts and consolidation of operations was in line with analysts' forecasts.

Revenue in the fourth quarter was $249.2m, a 32 per cent increase over sales of $188.4m in the same period a year ago. Net income declined to $5.8m, or 14 cents a share, after a $23m restructuring charge which was higher than anticipated.

In December, Lotus announced plans to cut its workforce by 10 per cent, eliminating about 4,000 jobs, and said it would take a fourth-quarter charge of between $14m and $18m.

The charges were higher because consolidation of facilities was "more aggressive than previously anticipated", the company said.

In the corresponding quarter of 1990, Lotus reported a net loss of $31.6m, or 74 cents a share, reflecting a $53m one-time charge related to the acquisition of Samna, another software company.

Including the fourth-quarter restructuring charge, Lotus' net income for 1991 totalled $43.1m, or 98 cents, compared with $23.3m, or 54 cents, after the Samna acquisition charge. For the year, revenues rose to $828.9m from $692.2m in 1990.

"We are extremely encouraged by the strong business momentum experienced in the fourth quarter," said Mr Jim Manzi, president and chief executive officer.

The company's 1992 goals include expanding spreadsheet market share and building on the expanding market for personal computer communications software.

Lotus also said it would expand its efforts in portable and pen-based computing.

Reebok posts record sales and earnings

By Karen Zagor

REEBOK, the US sports shoe maker, posted record sales and earnings for its fourth quarter and the whole of 1991.

Net income for the fourth quarter was $49.7m, or 53 cents a share, compared with $39.5m, or 34 cents, a year earlier. Sales increased 20 per cent in the latest quarter to $586.6m.

For the year, Reebok had net profits of $234.7m, or $2.37, a share, against $176.6m, or $1.54, in 1990. Sales rose 26.6 per cent to $2.73bn.

Mr Paul Fireman, chairman and chief executive, said the company forecast "plenty of opportunity for growth in this recessionary environment".

He said the Reebok brand had gained market share in a relatively flat market.

Mr Fireman added that the company had repaid $165m of the $215m it borrowed for a stock repurchase in 1991.

Net income flat at top insurer

MARSH & MCLENNAN, the world's biggest insurance broker, yesterday turned in stagnant fourth-quarter and full-year earnings, writes Karen Zagor.

For the three months to December 31, the company had net income of $54.2m, compared with $54.5m a year earlier. However, fewer outstanding shares helped earnings per share rise to 75 cents in the 1991 quarter from 74 cents the previous year.

The 1991 figures include extraordinary pre-tax gains of $10m.

Revenues were only slightly lower, at $665.9m against $668.5m in the 1990 quarter.

For the whole of 1991, net earnings were $305.5m, or $4.18 a share, on revenues of $2.78bn, compared with earnings of $304.1m, or $4.15, on revenues of $2.72bn.

Lower prices push Inco into fourth-quarter deficit

By Bernard Simon in Toronto

INCO, the world's largest nickel producer, suffered a fourth-quarter loss and an 81 per cent drop in earnings for 1991 as a whole.

The setback was due mainly to lower nickel and other metal prices, and to higher production costs. But the company also spent US$31m in after-tax severance costs last year. Earnings for the year as a whole were $82.6m, or 74 cents, down from $441.2m, or $4.18, in 1990. Revenues fell to $3.05bn from $3.34bn.

The fourth-quarter loss was $5.8m, compared with earnings of $72.6m a year earlier. Sales and other revenues dipped to $710.3m from $870.3m. A tax benefit of $31m was recorded in the fourth quarter from the transfer of a 30 per cent interest in its subsidiary in Guatemala to the Guatemalan government.

The primary metals division suffered a $5m operating loss in the fourth quarter, compared with income of $156m a year earlier. The company ascribed the loss to lower nickel, copper and precious metal prices, higher production costs, and the severance programme.

Inco's unit costs rose sharply last year to an average of $2.43 per lb of nickel, from $2.15 per lb in 1990. Production costs for copper climbed to $1.58 per lb from $1.36 per lb. The company is understood to have budgeted for a much smaller increase in costs this year.

Fourth-quarter nickel deliveries was almost unchanged at 125m lb, but the average realised price tumbled to $3.55 per lb from $4.31 per lb.

INTERNATIONAL CAPITAL MARKETS

Stet plans L400bn Eurobond offering

By Tracy Corrigan and Antonia Sharpe

STET, the Italian state-controlled telecommunications holding company, is preparing a L400bn ($335.28m) offering of Eurobonds with equity warrants attached, the largest of its kind to date, according to market sources.

The warrants will be exercisable into a total of around 250m savings shares of Sip, the quoted telecommunications utility in which Stet has a 58.6 per cent stake. The bonds are expected to carry a coupon of between 8¾ per cent and 9⅛ per cent, and the exercise price into the Sip savings shares will be indicated at L1,456 to L1,549. The bonds will have a life of five years and will be priced at par.

Savings shares in Sip fell L55 or 4 per cent to L1,330 yesterday, partly on fears of earnings dilution when the warrants are exercised. However, a banker associated with the deal said there would be no dilution as the warrants will be exercised into shares held by Stet.

The bonds will be issued through Softe, a Luxembourg-based financial subsidiary, and guaranteed by Stet. Officials at the lead manager Mediobanca, the Milan-based merchant bank, were unavailable for comment.

Details of the transaction, which is not scheduled to be launched until February 24, have not been finalised yet. Roadshows are planned ahead of the issue and invitations to co-lead managers have already been sent out.

EIB balance sheet total rises to Ecu74.3bn

By Andrew Hill in Brussels

THE president of the European Investment Bank yesterday said the bank's role in the long-term financing of EC integration had been "confirmed and further developed" by the outcome of December's Maastricht summit of EC leaders.

Mr Ernst-Günther Bröder announced that the EIB raised Ecu13.7bn on the capital markets last year – an increase of more than 24 per cent on 1990, when Ecu11bn was borrowed. The bank lent Ecu15.3bn, compared with Ecu13.4bn the previous year and its balance sheet total increased from Ecu65.5bn to Ecu74.3bn.

"The volume of funds mobilised by our bank in 1991 is larger than that of any other international financing institution, including the World Bank," he added.

The majority of loans went towards promoting social and economic integration in the EC, but the proportion of loans to non-EC countries increased from 5.5 per cent to nearly 6 per cent of the total, a record Ecu918m. Mr Bröder said the EIB would continue to co-finance projects outside the EC with the World Bank and the new European Bank for Reconstruction and Development in eastern Europe.

The EIB, which maintains a top AAA credit rating, is the world's largest borrower and lender in Ecu. Borrowing in the European currency unit accounted for 18 per cent of the total in 1991. Mr Bröder said the approach of monetary union and a single European currency would alter the context of the EIB's activities fundamentally, making borrowing and lending even easier.

The Luxembourg-based bank's priorities in 1991 were the development of deprived regions of the EC, which benefited from Ecu8.5bn of loans – against Ecu7.4bn in 1990 – and the setting up of an efficient European transport and telecommunications network, for which Ecu3.8bn (Ecu3.1bn) was lent.

But the bank also supported EC energy supplies and environmental improvements and approved global loans worth Ecu2.4bn for nearly 10,000 small and medium-sized enterprises. A further Ecu1m was lent to industrial companies ranging from an Andalucian oil refinery to an Italian ice-cream manufacturer.

Italy – historically the biggest beneficiary of EIB loans – won nearly 23 per cent of the EC loans granted, with Spain, the UK and France also the three next largest borrowers. Germany's five new Länder alone received Ecu531m of EIB investment support.

Deutsche Bank trader to resign

DEUTSCHE Bank, Germany's largest commercial bank, said yesterday its long-serving chief share trader, Mr Klaus Nagel, was leaving the bank, Reuter reports.

"Mr Nagel is going into early retirement at his own request and for personal reasons," a Deutsche Bank spokesman said.

Treasuries fall as supply fears dominate sentiment

By Patrick Harverson in New York and Sara Webb in London

SUPPLY concerns remained the dominant influence on US bond market sentiment yesterday morning, with prices held back amid nervous trading ahead of next week's quarterly refunding announcement.

By midday, the benchmark 30-year government bond was down ⅛ at 102⅞, yielding 7.752 per cent.

Shorter-dated maturities were down about ⅛ at midsession.

After Wednesday's big losses, the market opened in a subdued mood.

Even a bigger-than-expected 5 per cent decline in December durable goods orders and a 24,000 rise in weekly unemployment insurance claims failed to buoy investors' spirits.

In the wake of the State of the Union speech and the new budget, which forecast a higher deficit for 1992 than had been anticipated, market participants are worried about how badly the extra supply of new securities would depress prices.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	110.2951	-0.524	10.30	9.95	9.39
BELGIUM		9.000	06/01	102.4500	-0.050	8.60	8.63	8.89
CANADA *		8.500	04/02	101.3000	-0.800	8.31	8.24	8.15
DENMARK		9.000	11/00	103.0200	-0.180	8.48	8.45	8.69
FRANCE	BTAN	8.500	11/96	99.2874	-0.227	8.67	8.65	9.02
	OAT	9.500	01/01	106.7600	-	8.39	8.40	8.60
GERMANY		8.25	09/01	102.2200	-0.110	7.90	7.88	8.01
ITALY		12.000	06/01	98.7700	+0.040	12.22	12.23	12.50
JAPAN	No 119	4.800	06/99	95.8679	-0.259	5.59	5.49	5.64
	No 129	6.400	03/00	106.4368	-0.275	5.27	5.21	5.39
NETHERLANDS		8.500	05/01	100.9200	+0.010	8.35	8.35	8.59
SPAIN		11.900	07/96	101.4500	-0.370	11.40	11.31	11.75
UK GILTS		10.000	11/96	101-23	-	9.54	9.58	9.99
		10.000	02/01	103-10	+1/32	9.45	9.47	9.77
		9.000	10/08	98-14	+0/32	9.18	9.20	9.50
US TREASURY *		7.500	11/01	101-27	+2/32	7.23	7.13	6.72
		8.000	11/21	102-28	+2/32	7.75	7.66	7.45

London closing, *New York morning session. Yields: Local market standard

Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

However, dealers reported plenty of extension trades, whereby market participants sell short-dated issues and switch into long-dated paper.

The move out of the short end of the market reflects worries that German interest rates are likely to remain high for some time, traders said.

Yesterday, Mr Johann Wilhelm Gaddum, a Bundesbank directorate member, warned that high inflation levels in Germany preclude any easing in the Bundesbank's monetary policy.

The Liffe bund futures contract opened at 88.20 and traded at around 88.21 by late afternoon, down on Wednesday's close of 88.37.

Elsewhere in Europe, the Dutch government bond market ended slightly firmer, buoyed by overseas demand for 10-year and 15-year bonds.

GOVERNMENT BONDS

■ DEMAND for long-dated German government bonds helped to wipe out early losses in the market, with the result that the bund futures market closed almost unchanged yesterday.

The fall in the US Treasury bond market overnight pulled German government bond prices down yesterday morning.

■ UK government bonds barely moved in dull trading yesterday.

The Liffe gilt futures contract, which opened at 97.14, inched up to 97.16 by late afternoon, while the benchmark 11¾ per cent gilt due 2003/07 slipped from 115[illegible] to 115[illegible].

■ JAPANESE government bond prices slipped following the fall in the US Treasury bond market overnight and the weakening of the yen against the dollar.

Traders said that sentiment in the Tokyo market was bearish following the decline in US bond prices on Wednesday.

The US market fell after comments by the US Federal Reserve's chairman, Mr Alan Greenspan, dashed hopes of a further cut in US interest rates.

The yield on the benchmark No 129 opened at 5.26 per cent and closed at 5.265 per cent in Tokyo after trading in a range of 5.25 to 5.275 per cent.

Assets and profits advance at BCP

By Patrick Blum in Lisbon

BANCO Comercial Portugues (BCP), one of Portugal's top three commercial banks and its largest stock market listed company, yesterday announced strong increases in assets and profits for 1991.

Total assets grew by 51 per cent from Es801bn at the end of 1990 to Es1,206bn ($8.9bn) at December 1991.

Net profits were Es18.2bn – up 33 per cent on the previous year.

Return on equity rose from 14.4 per cent to 18.8 per cent last year, with earnings per share, adjusted for dilution resulting from the incorporation of reserves in March 1990, rising over 24 per cent from Es222.4 in 1990 to Es276.1 last year.

During 1991, the bank continued to expand its activities opening another 111 branches, bringing its branch network to 242. The physical expansion of the bank was reflected in a strong increase in credit extended to clients, up 75 per cent to Es516bn, and in customer deposits up 59 per cent to Es532bn at the end of 1991.

Having become one of the leading banks on the Portuguese market, BCP is gradually developing its presence on the international markets, and earlier this month, it joined forces with Banco Popular Espanol of Spain to set up a new bank in France.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on January 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	[illegible]	[illegible]	[illegible]	[illegible]	6.21
ALBERTA PROVINCE 9 3/8 95	[illegible]	[illegible]	[illegible]	[illegible]	6.60
AUSTRIA 8 1/2 00	[illegible]	[illegible]	[illegible]	[illegible]	7.54
BANK OF TOKYO 8 3/8 96	[illegible]	[illegible]	[illegible]	[illegible]	7.04
BELGIUM 9 5/8 96	[illegible]	[illegible]	[illegible]	[illegible]	7.45
BFCE 7 3/4 97	[illegible]	[illegible]	[illegible]	[illegible]	6.97
BNP 8 5/8 96	[illegible]	[illegible]	[illegible]	[illegible]	5.85
BRITISH GAS 8 3/8 99	[illegible]	[illegible]	[illegible]	[illegible]	7.56
CANADA 9 96	[illegible]	[illegible]	[illegible]	[illegible]	6.55
CCCE 9 1/4 95	[illegible]	[illegible]	[illegible]	[illegible]	8.81
COUNCIL EUROPE 8 96	[illegible]	[illegible]	[illegible]	[illegible]	6.14
CREDIT FONCIER 9 1/2 99	[illegible]	[illegible]	[illegible]	[illegible]	6.76
DENMARK 8 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	7.55
DENMARK 7 1/4 95	[illegible]	[illegible]	[illegible]	[illegible]	5.94
ECSC 8 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	6.18
EEC 8 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	6.84
EIB 7 3/4 96	[illegible]	[illegible]	[illegible]	[illegible]	6.81
EIB 9 1/4 97	[illegible]	[illegible]	[illegible]	[illegible]	6.73
ELEC DE FRANCE 9 98	[illegible]	[illegible]	[illegible]	[illegible]	7.07
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.32
EUROFIMA 9 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	7.39
EXPORT DEV CORP 9 1/2 98	[illegible]	[illegible]	[illegible]	[illegible]	6.97
FINLAND 7 7/8 97	[illegible]	[illegible]	[illegible]	[illegible]	7.38
FINNISH EXPORT 9 1/2 95	[illegible]	[illegible]	[illegible]	[illegible]	7.29
FORD CAPITAL 9 3/4 97	[illegible]	[illegible]	[illegible]	[illegible]	6.67
GEN ELEC CAPITAL 9 3/8 96	[illegible]	[illegible]	[illegible]	[illegible]	8.27
GMAC 9 1/8 96	[illegible]	[illegible]	[illegible]	[illegible]	7.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.22
IBM INTL FIN 7 3/4 95	[illegible]	[illegible]	[illegible]	[illegible]	5.94
IND BK JAPAN FIN 7 7/8 97	[illegible]	[illegible]	[illegible]	[illegible]	7.24
INTER AMER DEV 7 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	6.73
ITALY 8 1/2 94	[illegible]	[illegible]	[illegible]	[illegible]	5.89
JAPAN DEV BK 8 96	[illegible]	[illegible]	[illegible]	[illegible]	5.78
KANSAI ELEC PWR 10 96	[illegible]	[illegible]	[illegible]	[illegible]	7.95
LTCB FIN 8 97	[illegible]	[illegible]	[illegible]	[illegible]	7.47
NEW ZEALAND 9 94	[illegible]	[illegible]	[illegible]	[illegible]	6.22
NIPPON CRED BK 10 3/8 95	150	110¼	111¼	+⅛	6.90
NIPPON TEL & TEL 9 3/8 95	200	108¼	108¾	-⅛	6.34
ONTARIO 8 1/2 01	600	103¾	103⅞	-⅛	7.96
ONTARIO HYDRO 11 5/8 94	200	110⅞	111⅛	-⅛	6.03
OSTER KONTROLLBANK 8 1/2 01	200	104⅞	105⅛	-⅛	7.73
PETRO-CANADA 7 1/4 96	200	101¼	101⅝	-⅛	6.89
QUEBEC HYDRO 9 3/4 98	150	110	110⅜	-⅛	7.76
QUEBEC PROV 9 98	200	106¼	106½	-⅛	7.71
SAINSBURY 9 1/8 96	150	106⅞	107¼	-⅛	7.35
SAS 10 99	200	106⅞	108⅛	+⅛	8.65
SEAB 9 1/2 95	500	108⅞	109¼		6.48
SNCF 9 1/2 98	150	110⅜	110⅞	-⅛	7.41
STATE BK NSW 8 1/2 96	200	104½	105⅛	-⅛	7.25
SWEDISH EXPORT 8 3/8 96	700	105½	105⅞	-⅛	9.22
TOKYO ELEC POWER 8 3/4 96	300	106½	106⅞	-⅛	7.02
TOKYO METROPOLIS 8 1/4 96	200	105⅛	105⅞	-⅛	6.85
WORLD BANK 8 3/8 99	1500	106⅜	106½	-⅛	7.41
WORLD BANK 8 3/4 97	1500	108⅝	108⅞	-⅛	6.83
XEROX CORPN 8 3/8 96	100	102⅞	103⅜	-⅛	7.67

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN BANK 5 3/4 94	200	93¼	94	-⅛	9.05
BAPROVEN 11 1/8 95	200	101	101	+⅛	10.74
BULGARIAN TRADE BK 8 1/2 96	200	82⅛	82⅝	-⅛	13.89
CZECH OBCHODNI BANKA 10 95	350	97¼	97¾	+⅛	10.99
DAI-ICHI KANGYO 5 1/2 94	300	93⅞	94¼	-⅛	9.07
DEUTSCHE FINANCE 7 1/2 95	1000	99⅝	99⅞		7.74
EIB 5 3/4 98	400	90⅞	90⅞	+⅛	7.66
EIB 6 7/8 95	300	96⅛	96⅝	+⅛	7.89
EUROFIMA 6 1/4 98	400	91⅜	91⅞	+⅛	7.89
FIRST INTERSTATE 5 3/4 96	100	86½	86⅞		9.75
IND BK JAPAN FIN 5 5/8 96	200	91⅛	91⅛	+⅛	8.18
IND DEV BK INDIA 6 3/8 94	200	91¼	91¼	+⅛	10.00
LUFTHANSA INT FIN 5 7/8 98	500	89⅛	89⅛		8.02
NACIONAL FINANCIERA 11 95	150	100½	100½	-⅛	10.77
QUEBEC HYDRO 6 3/4 99	300	92½	92½	+⅛	8.17
SWEDEN 6 1/8 98	300	92½	92⅞		7.70
WORLD BANK 0 15	2000	20⅛	20⅜	-⅛	6.80
WORLD BANK 5 3/4 96	300	92⅞	92⅝		7.91
WORLD BANK 7 1/8 95	500	98⅝	98⅝	+⅛	7.66

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	92⅞	93¼	-⅛	6.69
AUSTRIA 4 5/8 98	100	90⅞	91½		6.53
CHUBU ELEC POWER 6 3/4 01	300	100	100¼		6.74
COUNCIL EUROPE 4 3/4 98	250	90	90⅛	+½	6.82
EEC 5 1/2 00	100	91⅜	92	+⅛	6.77
EIB 6 1/2 98	600	100¼	100½		6.44
ELEC DE FRANCE 7 1/4 06	100	104	104½		6.80
FINLAND 5 3/8 95	150	95	95⅛		6.92
GENERAL MOTORS 7 1/2 95	100	100	100½	+1	7.49
JAPAN DEV BK 5 1/2 94	100	98	98⅛		6.58
KOBE 6 3/8 01	240	97⅛	98⅛		6.70
NEW ZEALAND 4 7/8 99	200	88		+1	7.11
QUEBEC HYDRO 5 08	100	78	79	-½	7.37
WORLD BANK 5 03	150	86	86¼	+½	6.78
WORLD BANK 7 01	600	103¼	103⅜		6.51

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	99⅜	99⅝		5.09
CREDIT FONCIER 5 1/4 94	20000	99⅝	100⅛		5.39
DENMARK 7 95	40000	105	105¼		5.16
EIB 4 5/8 94	40000	99½	99⅝	+⅛	4.85
ELEC DE FRANCE 5 5/8 96	20000	100⅞	101⅛		5.43
FINLAND 6 3/4 96	50000	104⅛	104⅜		5.60
INTER AMER DEV 7 1/4 00	30000	110⅜	111		5.59
KANSAI ELEC PWR 4 5/8 94	60000	98⅝	98⅞		5.28
NIPPON TEL & TEL 5 7/8 96	50000	102⅛	102⅜		5.34
NORWAY 5 1/8 95	50000	99⅞	100⅛		5.16
SNCF 6 3/4 00	30000	108	108⅛	+⅛	5.50
SWEDEN 5 5/8 95	20000	100⅞	101⅛	+⅛	5.38
WORLD BANK 6 3/4 00	50000	108⅛	108⅝	+⅛	5.44

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.81
COPENHAGEN TEL 8 5/8 96 LFr	600	97⅛	98⅛	-⅛	9.33
WORLD BANK 8 96 LFr	1000	96½	97½		9.01
ALBERTA PROVINCE 10 5/8 96 C$	500	106⅛	106⅝	-⅛	8.75
BELL CANADA 10 5/8 99 C$	150	106⅝	107⅛	-⅛	9.31
BRITISH COLUMBIA 10 96 C$	500	103⅞	104⅛	-⅛	8.86
EIB 10 1/8 98 C$	130	105⅞	106½	-½	8.86
ELEC DE FRANCE 9 3/4 99 C$	275	104⅛	104⅝	-⅛	8.56
FORD CREDIT CANADA 10 94 C$	100	101⅞	102⅛	-⅛	9.32
GEN ELEC CAPITAL 10 96 C$	300	103½	104	-⅛	8.97
KFW INT FIN 10 01 C$	400	105⅛	105⅛	-⅛	9.12
NIPPON TEL & TEL 10 1/4 94 C$	200	106⅛	106⅝	-⅛	9.10
ONTARIO HYDRO 10 7/8 99 C$	500	107⅞	108⅛	-⅛	9.33
OSTER KONTROLLBANK 10 1/4 99 C$	150	106⅛	106⅛	-⅛	9.04
QUEBEC PROV 10 1/2 98 C$	200	105½	106	-⅛	9.36
BELGIUM 9 1/8 96 Ecu	1250	101⅞	102		8.55
CREDIT LYONNAIS 9 96 Ecu	125	99⅝	100½	+1	9.12
DENMARK 7 5/8 96 Ecu	250	94⅛	95⅛	+1⅛	9.31
EEC 7 5/8 94 Ecu	200	97⅞	98⅛	+⅛	8.78
EIB 10 97 Ecu	1125	106⅝	106⅞	+⅛	8.33
FERRO DEL STAT 10 1/8 98 Ecu	500	106⅝	106⅞		8.65
ITALY 10 3/4 00 Ecu	1000	112½	112⅞		8.56
UNITED KINGDOM 9 1/8 01 Ecu	2750	104⅞	105		8.33
BP AMERICA 12 1/4 96 A$	100	106⅝	107⅛		10.18
COMM BK AUSTRALIA 13 3/4 99 A$	100	114⅞	115⅛	-⅛	10.76
EKSPORTFINANS 12 3/8 95 A$	75	110⅛	110⅛		8.67
EUROFIMA 14 5/8 94 A$	75	110⅛	111⅛	+⅛	9.17
MCDONALDS CANADA 15 95 A$	100	113	113½		10.23
NAT AUSTRALIA BANK 14 3/4 94 A$	150	110	110½	+⅛	9.15
STATE BK NSW 14 1/4 99 A$	100	116	116⅛		11.02
UNILEVER AUSTRALIA 12 98 A$	150	107⅛	107½	-⅛	10.36
VOLKSWAGEN INTL 15 94 A$	100	109⅝	110⅛	-⅛	9.91
ABBEY NATL TREAS 13 3/8 95 £	100	107⅞	108⅛	+⅛	10.29
ALLIANCE & LEICS 11 3/8 97 £	100	102⅛	102⅛		10.73
BRITISH GAS 12 3/4 95 £	300	106⅝	107		10.10
BRITISH LAND 12 1/2 16 £	150	105⅛	106⅛		12.13
DEUTSCHE BK FIN 11 94 £	225	102	102⅛		9.83
EIB 10 97 £	536.5	100⅛	101⅛		9.80
FINLAND 10 1/8 97 £	100	100⅝	101⅛	-⅛	9.95
ITALY 10 1/2 14 £	400	102⅛	102⅜	+⅛	10.23
LAND SECS 9 1/2 07 £	200	88⅛	88⅝		11.12
NORWAY 10 1/2 94 £	200	101⅛	101½		9.85
ONTARIO 11 1/8 01 £	100	104⅛	104⅝	-⅛	10.37
SEVERN TRENT 11 1/2 99 £	150	103⅞	104⅛	+⅛	10.71
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅛	106⅛	+⅛	10.62
TOKYO ELEC POWER 11 01 £	150	105	105½		10.13
WORLD BANK 11 1/4 95 £	100	103⅛	103⅞		9.96
ABBEY NATIONAL 0 96 NZ$	100	65⅛	66⅛		9.56
BNP 12 96 NZ$	50	108⅛	109⅛	-⅛	9.37
CEPME 10 95 FFr	2000	103⅛	103½		8.86
ELF-AQUITAINE 9 99 FFr	600	101⅝	102⅛		8.68
EURATOM 7 5/8 98 FFr	500	94⅛	95⅛	+⅛	8.79

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.48	99.59	10.7675
BANCO ROMA 0.03 01	200	91.88	93.03	4.4050
BELGIUM 1/16 97 DM	500	99.96	100.06	9.5000
BFCE -0.02 96	350	100.27	100.37	4.9175
BNP 05	300	96.63	97.38	5.5625
BRITANNIA 1/10 96 £	150	99.08	99.28	10.7875
CCCE 06 ECU	200	99.92	100.02	10.1563
CITIZENS FED 0.15 96	100	99.50	99.95	5.9625
CREDIT FONCIER -1/16 98	200	100.31	100.41	5.3438
DENMARK -1/8 96	1000	99.73	99.83	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.04	9.5938
ELEC DE FRANCE 1/8 99	400	101.75	102.75	6.0625
FERRO DEL STAT 94	200	100.73	100.98	5.9375
HALIFAX 1/10 94 £	200	99.95	100.05	10.5375
IRELAND 98	300	99.60	99.70	4.4600
ITALY 00	500	100.89	100.99	4.5000
LEEDS PERMANENT 1/8 96 £	300	99.30	99.52	11.0000
LLOYDS BANK 1/10 PERP S.3	600	79.50	81.50	6.0375
MITSUI FIN ASIA 1/8 96	100	99.99	100.13	5.9375
NAT WEST FIN 3/16 05	400	92.66	93.91	5.5000
RENFE 98	500	100.11	100.21	5.0000
SOCIETE GENERALE 96	300	99.87	99.97	5.6250
STATE BK VICTORIA 0.05 99	125	98.52	98.77	4.3625
UNITED KINGDOM -1/8 96	4000	100.04	100.08	4.2500
YORKSHIRE BS 1/10 94 £	165	99.56	99.66	10.5063

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	127	128⅞	
CHUBB CAPITAL 6 98	250	85	104⅞	105⅞	+30.48
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	86	87	+24.03
EASTMAN KODAK 6 3/8 01	300	50.67	105⅛	106⅛	+10.53
GOLD KALGOORLIE 7 1/2 00	65	1.0554	84⅛	85⅛	+47.41
HANSON 9 1/2 06 £	500	2.5875	99⅛	100⅛	+26.35
HAWLEY 6 02 PREF	400	19.1	84½	87	
HILLSDOWN 4 1/2 02 £	150	3.97	116⅛	117⅛	
LAND SECS 6 3/4 02 £	84	6.72	85	86⅛	+20.51
LASMO 7 3/4 05 £	90	5.64	75⅞	76⅞	+71.86
MITSUI BANK 2 5/8 03	200	2337⅛	82	84	+17.39
MOUNT ISA FIN 6 1/2 97	100	2.283	94⅛	95⅛	+18.56
OGDEN 6 02	85	39.077	83½	84½	+58.20
SMITH & NEPHEW 4 02 £	90	1.775	120⅛	121⅛	+45.01
SUMITOMO BANK 3 1/8 04	300	3606.9	67	68	+24.04
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	89⅛	90⅛	
THORN EMI 5 3/4 04 £	103	7.45	121	122⅛	+10.07

* No information available - previous day's price

‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by International Securities Market Association.

Sterling Eurobond demand lifts interest in new issues

By Tracy Corrigan

A BROAD range of borrowers, including three UK companies, raised funds in a variety of currencies in the Eurobond market yesterday.

Pent-up demand for sterling Eurobonds boosted interest in three new issues. Enterprise Oil launched a £100m four-year

INTERNATIONAL BONDS

deal via Warburg which performed strongly, meeting surprisingly firm demand from overseas as well as UK investors.

Dealers said the deal's reception was enhanced by continental demand for short-dated sterling bonds, as well as by the generally positive performance of previous Enterprise deals.

The deal was considered fairly priced to yield 95 basis points above the comparable gilt issue. The proceeds will be used to develop the company's continental shelf assets.

A £100m issue of 11¼ per cent bonds by the Guaranteed Export Finance Corporation (GEFCO) via Baring Brothers was added to an existing £250m deal. The deal, structured as a block trade (without any underwriting group), was considered attractively priced to yield 24 basis points above the three-year gilts, and also benefited from firm demand for short-dated sterling paper.

A £100m eight-year deal for Britannia Building Society via UBS was considered reasonably priced at a spread of 115 basis points above the 9 per cent gilt due 2000, but had to rely mainly on UK institutional demand, due to both the maturity and the borrower.

In the Ecu sector, British Gas International launched an Ecu150m offering of five-year bonds due 1997, priced to yield 8.45 per cent, 5 basis points below the yield of Kreditanstalt für Wiederaufbau's five-year deal launched on Wednesday.

Logically, KFW, a German state agency without an explicit government guarantee is a stronger credit than British Gas, a public company, albeit a utility, even though both are Triple-A rated. However, dealers reported strong demand from retail investors, many of whom still focus on name more than credit and described placement as smooth.

The improvement of swap opportunities in the Ecu sector allowed British Gas to achieve cheaper funding than would have been available in the sterling market. The proceeds of the issue, which will be used to replace short-term borrowings, were swapped into fixed-rate sterling at a level "well under 10 per cent", according to a British Gas official. British Gas's $200m five-year deal launched last Friday was also swapped into sterling at just under 10 per cent.

The deals have also filled a gap in the maturity spectrum of British Gas's debt profile as the company previously had no debt maturing in 1997. The company may return to the Eurobond market later in the year to finance the repayment of the last £250m tranche of its government debenture. However, the repayment could be repaid from the company's cash flow.

In the French market, the European Investment Bank launched a FFr3bn 10-year deal via Crédit Commercial de France, priced to yield 27 basis points above the 10-year French government bond.

Strong demand for the issue caused the spread to tighten to 23 basis points, which comforted underwriters who have felt the EIB has been skimping on the yield spread and fees of recent deals. (The deal was syndicated, rather than structured as a block trade, as some recent EIB offerings have been.)

In the dollar sector, a $400m five-year offering for the Inter-American Development Bank via Credit Suisse First Boston got off to a rather slow start, which dealers attributed to lack of enthusiasm for dollar securities. The pricing of the deal was considered reasonable, but not generous, at 28 basis points above the five-year Treasury, but poor buying interest caused the spread to widen by 4 basis points.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
IADB(a)†	400m	6¾	101.51	1997	1⅞/1¾	Cred.Suisse F.Boston
SWISS FRANCS						
Daiko Denshi Tsushim(a)★★♦	55	4⅛	100	1996	-	Daiwa Securities
AUSTRALIAN DOLLARS						
State Bk of New South Wales(a)†	100	10¾	99.85	2002	2⅛/1½	Deutsche Bk.Cap.Mkts.
CANADIAN DOLLARS						
Toyota Motor Credit Corp(a)†	125	8	100.55	1995	1⅝	Wood Gundy
STERLING						
Britannia Building society(a)†	100	10½	98.55	2000	.4/.25	UBS
Enterprise Oil Plc(a)†	100	10⅝	101.08	1996	1⅞	S.G.Warburg Secs.
GEFCO(c)†	100	11¼	102.21	1994	-	Baring Brothers
FRENCH FRANCS						
EIB(a)†	3bn	8.5	(b)	2002	(b)	CCF
ECU						
Brit.Gas Intl.Finance(a)†	150	8⅜	101.325	1997	1⅞/¼	Deutsche Bk.Cap.Mkts.
LIRE						
Kredietbank Intl.Finance(a)†	150bn	11.60	101.8	1996	1⅝/1⅛	Banca Nazionale d.Lavoro

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Fixed reoffer and issue price at 99.12. Fees 32.5/17.5bp. Non-callable. c) Fungible with 250m sterling bond issued in 1991. Non-callable.

An emotive topic for international regulators

Richard Waters examines the development of capital rules for securities traders

FOR an esoteric subject, the development of capital rules for securities traders raises surprisingly strong emotions.

According to one investment banker in London, the international regulators who have been tackling this difficult question in recent days "are living in cloud cuckoo land – they have no philosophical background for their ideas and no experience of running these businesses." Another comments: "It would simply be a disaster if they do what they are planning to do."

These bankers, who refused to be named, were reacting to the outline for a common international standard for assessing the minimum capital backing needed by securities firms, which emerged from a meeting of regulators in Switzerland this week.

Though an international affair, between the International Organisation of Securities Commissions (Iosco) and the Basle Committee on Banking Supervision, the meeting had a distinctly US feel. Both agencies were led by US chairmen, respectively Mr Richard Breeden, chairman of the Securities and Exchange Commission, and Mr Gerald Corrigan, president of the Federal Reserve Bank of New York.

Though little detail of the regulators' conclusions has been revealed, it is possible to piece together the two main conclusions. They apply both to banks which carry on securities business on their own balance sheets and to non-bank securities firms.

The first would force many securities businesses – particularly those in the UK – to have more capital to support their equity exposures. Although no figures were published after the meeting, it is understood the banking and securities regulators reached broad agreement that securities traders should have capital equal to 8 per cent of their net

Richard Breeden: chairman of the SEC

positions, with a further 4 per cent of their gross positions.

It is the 4 per cent requirement that raises the greatest passions in the UK, which had held out for a 2 per cent rule. Securities companies claim it fails to recognise the merits of diversification in their portfolios: they would have to provide large amounts of capital, even though modern portfolio theory suggests that is unnecessary.

Little theoretical justification has been advanced to support the 8+4 proposal – indeed, the precise numbers adopted are likely to be more the result of what the market will bear rather than any idealised numbers. This mirrors the discussions between banking regulators which led to the 8 per cent ratio adopted in the Basle accord of 1988.

The second significant conclusion from this week's meeting, concerns the ratio of subordinated debt to other capital that can be counted for regulatory purposes. Broad agreement fixed on a ratio of 2.5:1.

That will help to appease securities firms, but has antagonised banking regulators: the protracted talks that brought about the earlier Basle accord had debated this issue, before finally alighting on a ratio of 1:1.

Preliminary agreement on these two contentious points merely scratches the surface of what has become a deeply involved negotiation, aimed at reaching a compromise between the different interests of banks and securities companies. The list of complaints from each side is still long enough to suggest that considerable work lies ahead:

- Securities firms point out that the broad rules being proposed make no distinction between the different risks of different types of security. Illiquid securities, for instance, are more difficult to sell and therefore inherently riskier than liquid ones. That would make the rules a blunt instrument to apply – just as the internationally agreed rules on credit risk make little distinction between different types of loans banks take on.
- An international accord would not be able to allow for the many sophisticated hedging techniques used to limit market risk. These techniques are too complex, and are developed too fast, for international regulators to keep pace.

Gerald Corrigan: Federal Reserve Bank president

- For banks, the rules would relate only to trading books, not other parts of the business.

The result: an in-built difference in the capital treatment of different types of lending done in the same institution. This would raise difficult questions about what should or should not be carried in a trading book. It could also lead to greater securitisation of banks' assets, as lending is switched into the trading book to take account of the more favourable capital regime.

This week's agreement marked the beginning of a long process of negotiation. The immediate result will be a consultative paper on the issue. This will be the subject of intense negotiation, as each side attempts to tilt the overall impact of the proposed capital regime in its favour.

These thoughts will then need to be linked to a parallel discussion underway in Brussels, aimed at producing a Capital Adequacy Directive. Pressure to reach a conclusion within the EC has eased somewhat, due to the failure to reach agreement on a "single passport" which would have allowed investment firms to operate through branches throughout the EC.

However, other planned developments in the EC will prevent the issue from falling off the agenda altogether: the development of a consolidated supervision directive, for instance, which would bring together the prudential regulation of all aspects of a diversified financial group's business.

Italy set to reform tax on interest for interbank deposits

By Haig Simonian in Milan

ITALY'S cabinet was poised yesterday to abolish the 30 per cent withholding tax on interest for interbank deposits, in what would be a further crucial step in reforming Italy's capital markets.

Confirmation of the decision is due at a cabinet meeting today, according to Mr Rino Formica, the finance minister. Mr Formica did not indicate when the move would take effect.

Removal of the withholding tax would be one of the most significant in a series of recent steps to liberalise and improve the competitiveness of Italy's capital markets. However, while numerous moves have been made on the bond side, tax reform on interbank deposits, strongly supported by the Bank of Italy, had been consistently blocked by the Finance Ministry.

"It will be an enormous boost for the entire structure of the capital markets," said one leading banker yesterday.

Bankers have been lobbying for the change for some time, on the grounds that the tax created severe distortions in the interbank market and handicapped the lira deposit market overall. Moreover, while interest on interbank deposits has been subject to withholding tax, such lending to corporates has been exempt.

The result has been to make banks extremely reluctant to lend money among themselves. Banks with excess liquidity have tended to make funds available to the interbank market only when other avenues – such as lending to corporations – has failed. Even then, funds have been placed on the interbank market for the briefest possible periods. "The interbank market tends to be used only as a last resort, and on an overnight basis", commented one banker. The tax makes using the market "atrociously expensive", he said.

Removing the tax should stimulate the creation of a much deeper interbank market and produce a range of maturities. Those, in turn, should spur the development of derivate products like interest rate swaps and forward rate agreements. Such techniques have flourished in the London-based Eurolira market – which is unaffected by the withholding tax – but been severely handicapped domestically.

By removing the main barrier between the domestic interbank market and that for Eurolira deposits, the tax change would also create a much bigger overall lira deposit pool. The existence of the tax is believed to be one of the major factors behind the delay in creating futures and options products on Eurolira deposits at foreign derivates markets, a step that may now be accelerated.

- The lower house of the Italian parliament yesterday approved a long-awaited new law governing minority shareholders' rights in takeover bids. With only days before the dissolution of parliament, approval of the law, which has been seen as one of the last crucial steps in Italy's stock market reform, appeared increasingly doomed.

The new ruling must now be approved by the senate before becoming law.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday January 30 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Jan 29 Index No.	Tue Jan 28 Index No.	Mon Jan 27 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	786.71	+0.2	8.63	6.10	14.82	0.52	784.87	788.65	782.61	719.03
2	Building Materials (23)	951.27	−0.3	7.31	6.55	18.51	0.44	954.60	959.50	946.46	985.70
3	Contracting, Construction (29)	856.37	−0.8	9.27	8.66	15.59	0.00	862.98	869.82	867.88	1095.22
4	Electricals (7)	2463.42	−0.1	10.08	6.09	12.47	0.00	2465.69	2462.96	2467.95	1930.50
5	Electronics (26)	1782.09	+1.9	10.33	4.82	12.27	1.00	1748.51	1750.85	1736.64	1570.78
6	Engineering-Aerospace (8)	331.18	......	16.12	7.85	7.54	0.74	331.06	334.64	323.22	389.74
7	Engineering-General (43)	493.54	+0.1	9.63	4.99	12.81	0.92	492.88	491.72	486.19	350.70
8	Metals and Metal Forming (10)	333.18	+0.5	2.10	10.42	–	0.00	331.50	330.93	332.93	406.83
9	Motors (13)	299.17	+0.4	8.53	7.97	15.58	0.00	297.90	301.97	300.53	279.96
10	Other Industrial Materials (19)	1607.61	......	7.48	5.10	15.90	0.69	1607.01	1618.83	1615.94	1268.99
21	CONSUMER GROUP (188)	1650.27	......	7.05	3.33	17.47	1.80	1649.42	1651.70	1642.53	1231.49
22	Brewers and Distillers (23)	2070.74	......	8.04	3.42	15.09	7.92	2071.30	2071.71	2053.06	1558.39
25	Food Manufacturing (18)	1247.22	+0.2	8.65	4.07	14.29	2.11	1244.15	1241.65	1226.67	1048.58
26	Food Retailing (17)	2533.54	......	8.72	3.27	14.90	0.39	2534.26	2527.99	2511.41	2366.80
27	Health and Household (24)	4498.53	+0.1	5.05	2.17	22.70	0.88	4495.71	4500.08	4482.92	2647.30
29	Hotels and Leisure (24)	1256.10	+0.8	7.56	5.34	16.48	0.07	1246.33	1260.67	1260.53	1125.52
30	Media (23)	1487.07	+0.3	6.58	3.61	19.10	1.22	1482.60	1484.77	1484.52	1216.45
31	Packaging, Paper & Printing (17)	758.14	+0.3	6.98	4.38	17.37	0.22	756.23	755.04	750.05	516.84
34	Stores (32)	1011.96	−0.5	7.31	3.57	18.13	0.23	1016.80	1022.20	1018.06	784.49
35	Textiles (10)	606.62	......	7.57	5.10	16.86	0.00	606.97	609.12	610.89	400.67
40	OTHER GROUPS (115)	1214.14	+0.7	9.93	5.46	12.70	6.09	1205.90	1208.95	1204.53	1034.75
41	Business Services (16)	1365.49	+0.2	7.34	4.80	17.31	0.00	1363.08	1375.89	1394.27	944.26
42	Chemicals (21)	1474.77	+0.2	6.85	4.96	18.05	0.44	1472.18	1475.51	1472.75	1096.78
43	Conglomerates (11)	1290.72	+1.5	11.24	7.85	10.83	3.11	1271.71	1297.89	1319.72	1301.48
44	Transport (14)	2407.38	......	5.32	4.69	24.72	2.46	2406.85	2402.96	2397.84	1826.51
45	Electricity (16)	1210.97	+0.5	14.97	6.14	8.69	15.30	1204.50	1195.66	1168.75	1081.33
46	Telephone Networks(4)	1391.61	+1.0	11.28	4.51	11.58	15.96	1378.42	1385.25	1374.41	1186.43
47	Water(10)	2380.91	+0.8	17.92	6.68	6.15	0.00	2361.80	2334.78	2308.76	2393.66
48	Miscellaneous (23)	1835.21	+0.8	5.42	5.32	25.41	0.95	1820.39	1818.74	1814.33	1624.87
49	INDUSTRIAL GROUP (481)	1293.99	+0.3	8.22	4.48	15.23	2.88	1290.40	1293.42	1286.51	1046.17
51	Oil & Gas (19)	2162.16	−0.5	11.83	6.48	11.18	8.11	2173.61	2176.19	2168.33	2170.38
59	500 SHARE INDEX (500)	1372.47	+0.2	8.62	4.70	14.64	3.28	1369.89	1372.92	1365.85	1140.03
61	FINANCIAL GROUP (87)	728.69	......	–	6.38	–	0.13	728.89	730.87	728.37	724.06
62	Banks (9)	873.12	−0.1	4.39	6.08	46.28	0.00	873.66	877.33	872.42	774.82
65	Insurance (Life) (6)	1423.03	−0.4	–	6.00	–	0.00	1429.45	1414.23	1430.51	1340.13
66	Insurance (Composite) (7)	515.30	+0.1	–	8.46	-	0.00	514.81	516.90	514.00	630.73
67	Insurance (Brokers) (10)	1003.59	......	7.71	6.66	17.08	1.80	1004.13	1025.53	1031.35	998.91
68	Merchant Banks (7)	470.37	+0.8	–	4.56	–	0.00	466.85	466.19	462.20	345.67
69	Property (34)	796.20	......	6.89	5.69	20.66	0.44	796.11	799.30	792.74	964.75
70	Other Financial (14)	240.18	+0.2	11.11	7.44	11.36	0.00	239.72	239.64	238.26	243.16
71	Investment Trusts (68)	1182.59	−0.2	–	3.69	–	1.66	1185.27	1194.98	1186.94	980.86
99	ALL-SHARE INDEX (655)	1218.88	+0.2	–	4.87	–	2.56	1217.03	1219.99	1213.90	1036.24

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 29	Jan 28	Jan 27	Jan 24	Jan 23	Year ago
FT-SE 100 SHARE INDEX♦	2550.8	+4.3	2556.0	2533.9	2546.5	2552.0	2539.9	2510.4	2525.3	2170.3

FIXED INTEREST

	PRICE INDICES	Thu Jan 30	Day's change %	Wed Jan 29	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (26)	122.10	−0.01	122.11	1.80	1.07
2	5-15 years (26)	136.39	+0.09	136.26	1.80	1.78
3	Over 15 years (8)	147.64	+0.08	147.52	2.57	0.00
4	Irredeemables (6)	162.86	+0.02	162.82	2.44	0.00
5	All stocks (66)	134.42	+0.06	134.35	1.90	1.37
	Index-Linked					
6	Up to 5 years (2)	169.02	....	169.01	1.22	0.00
7	Over 5 years (9)	149.51	+0.02	149.48	0.51	0.63
8	All stocks (11)	151.07	+0.02	151.04	0.60	0.54
9	Debs & Loans (62)	117.50	+0.12	117.67	2.77	0.40

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jan 30	Wed Jan 29	Year ago (approx.)
	British Government				
1	Low	5 years	8.71	8.70	9.75
2	Coupons	15 years	9.19	9.20	9.75
3	(0%-7¾%)	20 years	9.19	9.20	9.75
4	Medium	5 years	9.50	9.50	10.55
5	Coupons	15 years	9.28	9.29	10.04
6	(8%-10¾%)	20 years	9.23	9.23	9.94
7	High	5 years	9.73	9.74	10.70
8	Coupons	15 years	9.36	9.37	10.16
9	(11%-)	20 years	9.29	9.29	9.99
10	Irredeemables	†	9.41	9.41	10.04
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.89	3.88	3.78
12	Inflation rate 5%	Over 5 yrs.	4.28	4.28	4.14
13	Inflation rate 10%	Up to 5 yrs.	3.23	3.22	2.41
14	Inflation rate 10%	Over 5 yrs.	4.10	4.10	3.96
15	Debs &	5 years	11.01	11.04	12.59
16	Loans	15 years	10.78	10.80	12.21
17		25 years	10.61	10.62	11.88

♦Opening index 2533.9; 9 am 2541.6; 10 am 2538.0; 11 am 2545.7; Noon 2545.5; 1 pm 2542.5; 2 pm 2542.5; 2.30 pm 2540.8; 3 pm 2536.8; 4.10 pm 2556.0; (a) 4.10pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	31	21	27
Other Fixed Interest	6	0	11
Commercial, Industrial	284	250	946
Financial & Property	119	127	547
Oil & Gas	18	25	48
Plantations	0	0	9
Mines	14	43	95
Others	37	47	40
Totals	509	513	1,723

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. ... [illegible] ... official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ■ Unit comprising of 5 Ords and 1 Warrant.

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Jan. 20
- Last Dealings Jan. 31
- Last Declarations Apr. 23
- For settlement May 5

3-month call rate indications are shown on this page.

Calls in Cannon Street Invs., Dowty, Y.J. Lovell, Medeva, Microvitec, Unitech, Wembley and Wickes. Puts in Owners Abroad. Puts and calls in Medeva.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	40	Ladbroke	17	Sears	7½	■ OILS	
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	SmKl Bchm A	78	Aviva Pet	1¼
Amstrad	3	Courtaulds	39	Lex Service	18	TI	48	BP	22
Astec (BSR)	3	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	50	FKI	5½	Lonrho	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	68	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	GEC	16	P & O Dfd	34	Wellcome	75	■ MINES	
Bowater	65	Glaxo	70	Racal Elect	4½	■ PROPERTY		RTZ	39
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec.	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

UK COMPANY NEWS

BT slips 4% to £759m in third quarter

By Michiyo Nakamoto

BRITISH Telecommunications pleaded for fairness and flexibility in its pricing structure being reviewed by the industry regulator, as it unveiled a 4 per cent decline in pre-tax profits from £787m to £759m in the third quarter to December 31 1991.

The group brought forward the announcement of its results by two weeks to coincide with the publication yesterday by Oftel of a consultative document which began the review of BT's prices by the industry regulator.

This was the second successive quarter in which BT saw a profits decline despite continuing efforts to raise productivity, said Mr Iain Vallance, chairman.

The performance reflected, above all, the first full quarter impact of a price cap at RPI minus 6.25 percentage points, followed by recession and increased competition.

"As you can see the current price cap is pretty tough," Mr Vallance said.

By bringing forward its third quarter results, BT had hoped to counter criticism that its high prices have led to excessive profitability.

Turnover in the third quarter was "almost flat" at £3.29bn (£3.28bn) as growth was insufficient to counter the effects of regulatory and competitive pressures, the group said.

Earnings per share declined 5 per cent to 8.2p (8.6p).

"Near term prospects remain depressed," BT said.

The group had indicated that staff levels would be reduced by about 10,000 but yesterday it confirmed that the cuts would be substantially more than that at between 10,000 and 15,000.

Revenue from inland telephone calls declined slightly to £1.27bn (£1.29bn) due to overall price reductions which were only partly offset by the new directory enquiry charges introduced in April, it said.

International telephone call revenue fell to £442m (£447m) while international call volume increased by 3 per cent over the 12 months to December. However, this volume increase was more than offset by the effects of the 9.6 per cent price reduction on international calls from the UK which were introduced in September, BT said.

The two areas which saw revenue growth were telephone exchange line rentals and other sales and services, a division which was boosted by the increase in interconnect receipts from other UK telecommunication operators and a better performance at Cellnet, the mobile communications network operator.

For the nine month period to December 31 turnover rose by just under 2 per cent to £9.92bn (£9.75bn), pre-tax profits increased by 2 per cent to £2.37bn (£2.32bn) and earnings per share rose by 1 per cent to 25.6p (25.4p).

Responding to charges that BT's local call rates were the most expensive in the world and that it was more expensive to make an international call from the UK than to the UK, Mr *Michael Hepher*, group managing director, said that those were "myths."

Mr Hepher pointed out that the UK had a larger area covered by local call charges than the US, Germany and France and that for a three minute call made during business hours it was more expensive to call the UK from the US, France, Germany and Spain than the other way round.

Lydia van der Meer

Iain Vallance: current price cap 'pretty tough'

Bass agrees real ale marketing deals with Young's and Fuller's

By Andrew Bolger

BASS, the UK's biggest brewer, has agreed reciprocal marketing deals with Young's and Fuller's, two of London's leading real ale brewers.

Young's bitter will be sold in more than 100 of Bass' managed pubs in London, while the Wandsworth brewery's 180 pubs will stock Tennent's Extra, Bass' premium draught lager.

Fuller's London Pride will also be offered in Bass pubs and about 150 of Fuller's 200 pubs in the south-east will sell Carling Black Label, the Bass brand which is the UK's best-selling lager.

Bass said the real ales could eventually be offered to all its 500 pubs in the south-east. Most of those selected would carry both Young's bitter and London Pride, a stronger beer, but this would be decided on a pub-by-pub basis.

The deal marks another stage in the resurgence of real, or cask-conditioned, ales which have been regaining popularity after years of yielding ground, first to keg bitter and more recently to nationally-promoted lager brands, such as Carling. Although the recession has cut overall demand for beer, UK markets for premium lager and real ale are both growing.

Grolsch, the Dutch brewer, is currently in talks to buy Ruddles, the Leicestershire-based brewer founded in 1858, in a deal which could be worth £40m, according to industry estimates.

Bass said that Carling was continuing to gain market share and currently claims about 20 per cent of the market for non-premium lager.

Bass already brews its own real ales, but said: "These quite different beers will extend the choice to the customer. They have such a strong consumer franchise in the south-east that what we offer will not suffer."

There are, however, continuing pressures towards consolidation in the brewing industry. Fuller's said that growing demand for London Pride had obliged it to increase capacity at its Chiswick brewery, and it had accordingly decided to end production of K2, its own lager brand.

"K2 was a good brand, but we never set out to be a national brand. We could never offer the discounts of the big operators," Fuller's said.

See Lex

Unitech declines 11% to £7.8m

By Roland Rudd

UNITECH, the international electronics group, yesterday halved its dividend to 2.1p as it announced an 11 per cent fall in pre-tax profits from £8.8m to £7.8m in the half year to end-November.

The group blamed the decline on the harsh trading conditions experienced in all its markets.

Sales increased from £126.1m to £130.8m.

After tax of £3.59m (£3.68m) and minorities of £1.49m (£1.32m) earnings per share came out at 4p (5.6p).

The group said slowdowns in the previously strong Japanese and German markets adversely affected profits, while market conditions showed no improvement in North America, the UK or France.

Minority interests reflected the reduction of the group's holding in Nemic-Lambda KK, its Japanese power supply subsidiary, following last year's flotation. Unitech's holding was reduced from 64 per cent to 50.6 per cent.

Exchange rate movements, particularly the strengthening of the Yen, benefited profit by £500,000.

During the past three years Unitech has earned an increasing part of its profits outside the UK. If this trend continues additional tax outlays could be incurred due to unrecovered advance corporation tax.

Mr Peter Curry, chairman, said the cut in the dividend reflected the group's difficulty in being a UK based group with an international business.

"We wanted to address the situation rather than just make artificial changes by acquiring a UK company with good profits or rearranging our debt" he said.

Standard Life holds endowment bonuses

By John Authers

STANDARD LIFE, the UK's largest mutual life insurance company, has maintained bonuses on its endowment policies.

But it also sent a strong signal that bonuses could be reduced next year, by lowering the "interim" bonus rates which would be payable to people claiming from the policies over the next year.

The move means that payouts on 25-year policies, which are widely used to repay mortgages, are virtually static, increasing by about one third of 1 per cent from last year's figure.

This should be enough to assure that Standard Life will retain its position as the industry's top investment performer over 25 years, and therefore the prospect that independent intermediaries will continue to favour the sale of Standard Life policies.

However, the office made substantial cuts in pay-outs on 10-year policies, which were down by 8 per cent following a pronounced industry trend.

The bonus rate on Standard's new "unitised with profits" policies was cut from 9.5 per cent to 8.5 per cent.

The move is also a significant development in a broadening debate among actuaries about how the weak returns of the last two years, and projected lower yields over the next decade, should best be reflected in pay-outs.

Mr Scott Bell, managing director of Standard Life, said: "Sterling's entry into the Exchange Rate Mechanism should lead to lower inflation and lower interest rates in coming years. As a consequence, during the 1990s, we can expect lower nominal investment returns than those achieved in the '80s."

He said that this was the reason for reducing interim bonuses.

Allied Partnership suspended

By Jane Fuller

SHARES OF Allied Partnership Group, the environmental contractor and forklift truck distributor, were suspended at 9¾p yesterday pending clarification of its financial state.

The suspension comes less than four months after Mr Martyn Rose, chairman and chief executive, said in releasing details of interim losses, that the balance sheet had been strengthened by the £7.44m raised in a share placing and offer.

The 3-for-5 offer, announced last June, was priced at 17p. It raised net assets to over £30m and cut debt to about £22m.

In December 1990, gearing had reached 125 per cent and a banking agreement had been breached. The placing document said the breaches had been waived and the facility reconfirmed until December this year.

Goodhead falls 39% and omits dividend

GOODHEAD GROUP, the printing, publishing and paper company, suspended its interim dividend yesterday as pre-tax profits tumbled 39 per cent to £429,000 for the six months to November 30, writes Peggy Hollinger.

Mr John Madejski, chairman, sought to reassure investors, saying the board had "every intention of declaring a final dividend". Fully-diluted earnings per share fell from 2.3p to 1.2p.

Mr Colin Rosser, chief executive, said each of the group's divisions was trading profitably. This had not been the case in the second half of last year, when the group returned a profit of £62,000 purely due to an exceptional £782,000 gain.

Similarly, first-half profits this year were entirely due to halved interest charges of £706,000 following the £4.5m sale of the Wiltshire printing business in April. Debt at the half-year was £10m.

Turnover fell from £37.9m to £22.2m. Just under half of the decline in sales was due to the Wiltshire sale, with £5.8m of the drop coming in the paper division. The paper market remained very soft, although profits had been helped by more spot deals, where margins are higher.

Mr Rosser said the publishing business – mainly free newspapers – had been the hardest hit, with advertising revenues down by 30 per cent on the previous year.

The contract printing operation, which traditionally provides the bulk of profits, increased its contribution by 5 per cent to £700,000.

Liquidators in at Panfida as refinancing collapses

By Peggy Hollinger

PANFIDA, the Australia-based group which owns the Martin chain of newsagents, yesterday went into liquidation following the collapse of a proposed £155m debt-for-equity swap.

The main stumbling block to the refinancing talks appears to have been Panfida's determination to raise £5m through a placing as part of the debt-for-equity swap. Panfida had concluded a previous refinancing in January last year.

Creditors were believed to be unwilling to support a Panfida placing, because its only wholly-owned subsidiary was the Martin newsagents chain. "There was nothing generating cash," said one source close to the company.

News International, Mr Rupert Murdoch's media company, had a 29.9 per cent stake in Panfida. News International said it had written off its £10m investment in Panfida two years ago. A liquidator is expected to be named in the next two days. The shares were suspended at 2½p.

The board of Martin was anxious last night to distance the group from the liquidation proceedings.

The banks and News International said they would continue to provide financing for Martin, which has 760 outlets. Since it had been kept off-balance sheet Martin is still a going concern, said one of Martin's bankers.

UK COMPANY NEWS

Ambitious debt-based expansion that's providing some food for thought

Tim Coone on questions raised by Waterford Foods' latest buy

THE BATTLE for scale and market share in the Irish food industry was highlighted earlier this month by Waterford Foods' I£62m (£57.8m) acquisition of Express Ireland, which was accompanied by a rights issue of I£25m.

By fighting off other sizeable contenders, such as Avonmore and Golden Vale, Waterford is now one of the Republic of Ireland's largest dairy companies.

It has annual turnover in excess of I£500m and has ambitions to become a I£1bn company over the next few years.

Starting out as a milk producer's co-operative, Waterford has undergone rapid growth since it was floated on the stock market in 1988.

The flotation was part of a strategic expansion plan, mapped out in 1987, which according to Mr Stephen O'Connor, managing director, was aimed at doubling the company's turnover in four years.

An aggressive acquisition programme ensued starting with the purchase of the Heald dairy group in the UK in 1989, Galloway West in the US in 1990 and United Co-operative Dairies in northern England last year.

Together with Express Ireland (formerly a subsidiary of Grand Metropolitan), Waterford has spent over I£200m on its spate of acquisitions, mostly financed through debt.

Although largely welcomed by shareholders and market analysts, the debt-based expansion strategy has not been without its critics.

> "The growth in scale has not been matched by a growth in the bottom-line figure . . . shareholders are still waiting for the pay-off of the expansion," said one Dublin stockbroker.

One Dublin stockbroker estimated group debt to be "in the region of I£150m", which he described as a "millstone".

"The growth in scale has not been matched by a growth in the bottom-line figure" he added.

Earnings per share have not matched the doubling in growth of turnover and "shareholders are still waiting for the pay-off of the expansion," he said.

Others, however, are more upbeat. Davy, one of Dublin's leading stockbrokers, noted in a recent review of the Irish food industry that "there is a pervasive view that milk processing, at least domestic milk operations, are a liability.

"This is not the case. The fact that the companies are diversifying away from domestic operations reflects more the growth constraints on these than any risk attaching to their long-run profitability or good cash flow potential", it said.

Davy pointed out that recent acquisitions would leave Waterford's 1991 balance sheet "prospectively some 90 per cent geared . . . but with the profits outlook positive . . . gearing on our estimates will fall to less than 40 per cent by the end of 1993."

Several factors could upset this forecast:

- the cost impact of reduced milk supplies due to lower EC milk quotas;
- a failure to achieve savings through the marriage of the UK operations of Heald and UCD;
- the effect of a weaker sterling and US dollar.

In the longer term, some analysts believe that the group's exposure to door-to-door milk deliveries in Ireland and the UK could present problems as the trend of milk sales appears to be leaning more towards retail outlets.

The market was disappointed by the failure last year of merger talks between Waterford and Avonmore which, had they succeeded, would have produced a substantial, diversified food group with cost-savings potential and the financial and management muscle for further expansion in the European and US markets.

It would also have spread Waterford's debt burden across the two groups.

However, having now to compete alongside Avonmore and the other big Irish dairy groups, Waterford's management will be under pressure to produce good results in 1992 to justify its debt-based expansion programme.

The group's shares have not performed as well as its competitors over the past 12 months, and if good bottom-line results do not appear in 1992, Waterford's expansion programme could well be pulled up short.

Scapa to pay £6m for Pirelli offshoot

By Haig Simonian in Milan

SCAPA GROUP, the UK industrial products manufacturer, is set to expand in Italy following an agreement to buy Adenax, a producer of adhesive tapes for industrial uses, from the financially-troubled Pirelli tyres and cables group.

Adenax is one of dozens of companies in the diversified products division which Pirelli put on sale following the failure of its bid for Continental, its German rival, late last year.

However, Pirelli said the decision to sell Adenax, which is based near Vercelli in northern Italy, pre-dated its wider disposal programme.

Scapa is paying about L13bn (£6.02m) for Adenax, which had sales of about L16bn last year. The company's products, mainly wide or heavy-duty adhesive tapes, are predominantly used for packaging purposes.

The acquisition will fill out the range of industrial products and adhesive tapes made by Scapa's Rotunda subsidiary. Following the acquisition, Rotunda's turnover should reach more than £30m, while sales at Scapa itself exceed £300m.

Intl Resort dives by 78% to £368,000

By Peggy Hollinger

Interim pre-tax profits tumbled 78 per cent to £368,000 at International Resort Holdings as the golf course and leisure group again passed its interim dividend.

Profits would have been even lower but for a £161,000 (£214,000) exceptional gain on the sale of the nursing home division. Earnings per share tumbled by 3.5p to 1.5p.

Mr Stephen Alexander, chairman, said the board intended to maintain the final dividend, as current trading levels were satisfactory.

Turnover in the period to September 30 fell from £8.08m to £8m, partly because of the sale. However, the greatest decline came in the development division, which builds golf courses.

Mr Alexander said development had been reined in to avoid an increase in debt, which was £12m (£24m) at the half-year. He also warned that the profit outlook for this division was uncertain, as necessary development contracts had not yet been signed. Development sales fell by £2.42m to £1.38m.

The operations division, which encompasses golf course and hotel management, increased sales by 66 per cent to £771,000.

Mr Alexander also announced the intention to take over EGP Sports, which would form the basis of the new merchandising and events division.

Total cost of the purchase would not exceed £1m. EGP holds a 50 per cent stake in PGA Merchandising, a joint venture with the Professional Golfers' Association, and 50 per cent of the English Open Golf Championship.

ML Holdings tumbles £1.31m into red

By Paul Betts, Aerospace Correspondent

ML HOLDINGS, the aerospace, cargo handling and electronic component distribution company, yesterday reported a pre-tax loss of £1.81m for the six months to end-September, compared with profits of £3.03m in the same period of the previous year.

The first-half loss included £1.9m restructuring costs in defence activities. The company said its workforce had been reduced by 272 from 1,768 at the end of March last year to 1,496 by the end of December.

The company, which has been reducing its dependence on the defence market during the past four years by developing its civil aerospace and electronic component distribution businesses, said it had suffered like the rest of the aerospace industry from the combined effects of the slump in civil aviation and the reduction in military spending.

Turnover in the first half fell from £44m to £40m.

After accounting for as much as 64 per cent of total sales for the year to end-March 1988, the contribution of defence activities has declined to 29 per cent of total sales for the 12 month period ending September 1991.

It is expected to continue declining to about 20 per cent of total sales.

The company said its order book, which had fallen sharply as a result of the Gulf war and the recession, had recovered strongly in recent months.

Borrowings peaked in October and were now on a downward trend.

The company said this was being supported by an aggressive reduction in working capital and the selective disposal of non core businesses and surplus assets.

Although operating conditions remain difficult, the recent improvements in orders and borrowings coupled with a reduced cost base was expected to lead to an improved performance next year.

On the basis of these improved prospects, the board has decided to maintain the interim dividend at 0.85p. Losses per share emerged at 2.6p (earnings of 3.9p).

Increased European sales help Menvier-Swain edge ahead

By Peter Franklin

IN SPITE of the continuing recession, Menvier-Swain, the emergency lighting and fire alarms group, managed a marginal profits increase in the half year to end-October.

Although sales fell by 18 per cent from £23.9m to £19.7m – reflecting the loss of turnover from discontinued businesses – profits at the pre-tax level increased from £2.76m to £2.77m. All the loss-making businesses have now been sold.

Profits were helped by a reduced interest charge of £363,000 (£429,000) on borrowings down from £7.5m to £4.7m. Gearing was cut from 74 per cent to 43 per cent.

The interim dividend goes up from 2.2p to 2.7p, payable from earnings per share of 13.3p (13.7p). Mr Roger Fletcher, chief executive, said the dividend had been increased to adjust the proportion of the total paid out at the interim stage.

Mr Fletcher said the UK market remained difficult with sales of emergency lighting and fire alarms down 19 per cent to £9.9m. However, market share and margins had been maintained.

The fall in UK business had been offset by increasing sales of emergency lighting in continental Europe, which now accounts for some 41 per cent of group turnover. Sales from the Continent grew by 29 per cent to £8m (£6.2m) and profits advanced to £1.3m.

Mr Fletcher said the French offshoot was having a particularly successful year, with a significant contract for the Channel tunnel project, while the group's newest acquisition, Univel, in Greece, was now contributing to profits.

New EC safety directives covering essential safety requirements in new buildings came into force on January 1 in the UK, and the group was well placed to pick up any ensuing extra businesses, Mr Fletcher said.

Mr Charles Swain has retired as executive chairman. He has been appointed Life President and will remain as a non-executive director. Mr Roy McDowell, a non-executive director of the company since flotation in 1986, is to become chairman.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- [illegible]

Finals- DAKS Simpson, Embassy Property, European Assets Trust, [illegible]

Sale Tilney's £6.8m disposal of food division

Sale Tilney has disposed of certain businesses and assets of Sale Tilney Foods, which comprise Peabody Foods, its UK food division, to Stevens & Brotherton.

STF's dried pasta distribution business is excluded from the deal and the board will shortly determine the future of this profitable business – in the 12 months to November 29 there was an operating profit of £200,000 on turnover of £1.4m.

The aggregate net proceeds of the Peabody disposal and the collection of trade debts – after taking account of payment of trade creditors, all associated closure and transaction costs and the sale of residual assets – are estimated to be £6.8m. Proceeds will be applied against the borrowings of STF.

The balance of STF's borrowings, amounting to some £15m, will be serviced by the remainder of the Sale Tilney group.

Emap to launch French magazine

By Raymond Snoddy

EMAP, the publishing and exhibitions group, is planning to launch its first wholly owned magazine in the French market in March.

Responses Photo, a monthly photographic magazine with a planned print run of 150,000, will be the French equivalent of Photo Answers, Emap's successful UK magazine.

The launch could be the first of several in France aimed at the specialist, youth and music sectors of the market.

Mr Robin Miller, Emap chief executive, believes there is considerable potential for specialist magazines in France.

Emap has expanded on the back of a range of specialist magazines encompassing fishing to motor cycle enthusiasts.

Until now Emap's moves into France have been through joint ventures with French publishers. In 1990 the company took over Le Chasseur Francais, the French countryside and hunting magazine, in a joint venture with Bayard Presse.

The British company also publishes Consule Plus, a French computer games magazine with Les Editions Mondiale.

Meanwhile, Emap is one of the publishers bidding for the business magazine and exhibitions divisions of the collapsed Maxwell empire.

In the six months to September, Emap's pre-tax profits fell 26 per cent to £9.86m.

However, operating profits of its consumer magazines increased.

UK COMPANY NEWS

Domino shares rise 22p as profit target reached

By Andrew Bolger

DOMINO PRINTING Sciences, the Cambridge-based manufacturer and distributor of industrial ink-jet printers, has slightly exceeded the profits forecast made in September with the £15.5m rights issue.

It increased pre-tax profits by 48 per cent to £9m (£6.09m) in the year to October 31 on turnover up 31 per cent to £60.4m. The shares closed 22p higher at 423p.

Domino benefited from changes in EC directives for food retailing, which led to increased demand for products. There was a full contribution from subsidiary operations in France and Spain.

Mr Gerald Dennis, chairman, said: "We are especially pleased with our performance in France, where our subsidiary increased sales of machines by 90 per cent."

Sales of new machines were particularly encouraging, with 40 per cent more installations than the previous year. Average selling prices reduced slightly, reflecting increased distributor business and discounts for larger orders. This expansion in machines installed would be reflected in higher ink sales.

The group had net cash of £1.8m which, when coupled with proceeds from the 98 per cent subscribed cash call, enabled it to start the year with cash balances of more than £17m. Domino planned to use the cash for further expansion in its core ink-jet operations and related areas.

During the year sales had grown by 19 per cent in Europe (excluding France and Spain); by 21 per cent in the Americas; and by 35 per cent in the rest of the world. Mr Dennis said results for the first three months of the new financial year showed that growth was continuing, but at a lower level in Europe, as indicated in the rights issue document.

Earnings per share rose by 40 per cent to 28.83p (20.54p). A final dividend of 4.15p gives a total for the year of 6.25p (5.2p).

Aviation side underpins Aim's 69% recovery

By Jane Fuller

AIM GROUP, the Southampton-based manufacturer of aircraft interiors, mounted a 69 per cent recovery in pre-tax profits in the six months to October 31.

The improvement, from £620,000 to £1.05m, followed a 26 per cent increase in turnover to £25.2m (£20m).

The mainstay of the outcome was the aviation division, which increased operating profit to £1.71m (£1.03m) on sales of £19m (£14.7m).

Mr Jeff Smith, chairman and chief executive, said this reflected progress on such projects as the McDonnell Douglas MD-11 and the Saab 2000. He repeated the statement in the annual report that the division's turnover should double by 1994-95.

The contracting side, which installs air conditioning mainly in commercial buildings, saw operating profit slump to £22,000 (£319,000) on turnover of £6.18m (£5.32m). Mr Smith said the second half would be better because more contracts were scheduled for completion.

Interest costs declined to £682,000 (£716,000). Net debt was expected to be slightly down by the year-end to £12.5m, giving gearing of 68 per cent (75 per cent).

Aim, which is some 53 per cent-owned by Mr Smith and fellow director Mr Caspar MacDonald-Hall, also owes an additional £6m to its bankers related to its property portfolio.

The group's fortunes have revived since last summer when the banks forgave £2m of the original £8m property loan and stopped charging interest on the remainder.

Mr Smith said £1m of property had been sold this year and the money had been put into a realisation account ready for repayment of the £6m in May 1994.

Earnings per share rose to 4.8p (2.8p), while the interim dividend is held at 1.5p after a cut last year. Mr Smith said the dividend had not been raised because of the working capital required to finance the expansion of the aviation division.

Photo-Me edges ahead to £8.7m

By Andrew Bolger

Photo-me International, the world's largest photo-booth manufacturer and operator, reported pre-tax profits ahead from £8.54m to £8.7m in the six months to October 31.

Turnover increased by 14.5 per cent to £62.2m, but profits were hit by a sharp rise in depreciation charges from £4.1m to £5.64m.

The pre-tax figure was struck after a loss on exchange of £123,000(£875,000)Operating profits rose by 7 per cent to £14.5m.

With the prediction that the recession would continue, directors had taken a cautious view and expected full year pre-tax profits to be comparable to the previous £17.1m.

Earnings per share expanded by 20 per cent to 9.37p (7.81p), helped by a drop in minority interests from £955,000 to £296,000.

The interim dividend is lifted to 1.3p (1.2p).

Following the recent death of Mr Terence Chute, Mr Philippe Payen had been appointed executive chairman.

NEWS DIGEST

DY Davies losses rise to £0.43m

DY DAVIES, the USM-quoted architect, is passing its interim dividend for the six months to the end of October after reporting an increased pre-tax loss of £426,000, compared with £88,000.

The loss was struck after an exceptional charge of £244,000 (£94,000) to cover redundancy costs, payment of rent on unoccupied office space and bad debts.

Mr David Davies, chairman, said: "A number of our clients went into receivership during the six months to the end of October. We also experienced problems in cash collection from other clients reflecting the problems currently besetting the construction sector."

He added that trading remained very difficult. The only glimmer of light was a slight increase in inquiries affecting some developments which had been postponed. The inquiries still had to be translated into firm orders.

The company has net borrowings of £2.2m compared with shareholders' funds of £1.38m. Mr Davies said the company had not breached its loan agreements and was working within its borrowing facilities.

Turnover during the six months fell from £5.21m to £3.54m. Losses per share were 5.4p, compared with losses of 2.4p for the first half of the previous financial year and losses of 5.5p for the full year.

Armitage Brothers advances 23%

Armitage Brothers, the pet food and accessories group, lifted pre-tax profits by 23 per cent to £712,000 in the 28 weeks to December 14.

The company attributed this improvement to cost control, a better mix of sales and reduced interest charges.

Turnover was only just ahead to £13.1m (£12.7m) and sales continued to be affected by the recession, they said. However, profits were still running ahead of last year.

Earnings per share advanced to 13.4p (9.1p) and the interim dividend is lifted to 2.6p (2.5p).

Prism Leisure beats targets

Prism Leisure, whose core business covers the wholesale and distribution of pre-recorded music and computer games, raised pre-tax profit from £303,000 to £374,000 in the six months to September 30.

Mr Geoff Young, chairman, said the plan was for moderate growth and that objective was met comfortably.

Sales of the USM-quoted group rose to £5.83m (£5.24m).

The core business performed well, Mr Young said; margins held up "pleasingly and inventory levels were well controlled."

He reiterated his confidence that full year figures would show a solid advance. Pre-tax profit for last year was £761,000.

Earnings per share in the half year came to 6p (4.6p) and the interim dividend is again 1.5p.

Warner Estate falls to £7.6m

A shortfall in second-half profits from £4.28m to £3.71m left Warner Estate Holdings, the real estate owner and dealer, with pre-tax figures 5 per cent lower at £7.64m for the year ended September 30 1991, against £8.01m previously. Turnover slipped from £10.4m to £10.2m.

After tax of £2.35m (£2.68m), earnings per share were marginally ahead at 10.8p (10.73p), while the dividend is raised to 10p (9p) with a recommended final of 6.75p.

Ewart declines to £104,000

Ewart, the Belfast-based property company, reported pre-tax profits of £104,000 for the six months to October 31, compared with £254,000. Turnover increased slightly from £1.74m to £1.79m.

Earnings per share were 0.44p (0.82p), after a lower tax charge of £21,000 (£84,000). The interim dividend is halved to 0.25p.

Little change at Continental Assets

Continental Assets Trust, which concentrates on smaller companies in continental Europe, reported undiluted net asset value of 165.2p per share at end-December, virtually unchanged on the 164p at the end of 1990. At June 30 1991, it was higher at 177.58p.

Attributable profits amounted to £339,000 (£387,000) for earnings of 1.56p (1.78p) per 75p share. A dividend of 1.25p (0.7p) is proposed.

Jupiter European shows scant growth

The net asset value of Jupiter European Investment Trust stood at 79.9p at October 31 – a marginal gain on the 78.4p of the same stage of 1990 and a fall from the 83.83p at April 30 1991.

Net revenue for the six months to end-October fell to £50,931 (£75,758), leaving earnings per share down to 0.85p (1.26p).

Mothercare expands mail order division

Mothercare, part of the Storehouse group, has strengthened its mail order business by acquiring the specialist Baby Club catalogue and mail order business for £2.7m cash.

Vendor is Bounty Holdings, and Mothercare will have privileged access to its range of promotional services.

Specialeyes sees pressure on margins

Specialeyes, the USM-quoted retail optician, lifted pre-tax profits from £56,000 to £90,000 in the 24 weeks to November 16.

Turnover improved 12 per cent to £7.5m and trading profit a similar amount to £136,000.

The pre-tax line was struck after new store opening/closure costs of £108,000, offset by a release of reorganisation provisions of £106,000. Earnings per share were 0.4p (0.38p).

Eight new high street stores were opened which together with one new Allders concession brought the total outlets to 68. The number of openings in the next period would depend on market trends. Capital expenditure was £700,000.

The company's year-end is being changed to November 30 and the current accounting period will cover 18 months. Shareholders will receive a report for the 12 months to May 31.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Aim	int	1.5☆	Apr 16	1.5	-	5.5
Armitage Bros	int	2.6	Apr 15	2.5	-	5.7
Cont Assets Tst	fin	1.25	Apr 13	0.7	1.25	0.7‡
Domino Printing	fin	4.15†	Apr 9	3.45	6.25	5.2
Ewart	int	0.25	Mar 12	0.5	-	1
Goodhead	int	nil	-	0.5	-	0.5
Kershaw (A)	fin	18	Apr 8	18	27	27
Menvier-Swain	int	2.7	Apr 10	2.2	-	7.3
ML Holdings	int	0.85	Apr 2	0.85	-	3.45
Photo-Me Intl	int	1.3	May 1	1.2	-	4.2
Prism Leisure §	int	1.5	Mar 5	1.5	-	4.95
Rank Org	fin	20.75	Apr 8	20.75	31	31
SEP Industrial §	fin	0.2	-	0.6	0.2†	1.04
Unitech	int	2.1	Apr 1	4.2	-	11.7
Warner Estate	fin	6.75	Mar 27	6	10	9

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option. ‡Excludes special 1p distribution.

COMMODITIES AND AGRICULTURE

Traders believe zinc market squeeze is over

By Kenneth Gooding, Mining Correspondent

A TECHNICAL squeeze on nearby supplies that has threatened to create turmoil on the London Metal Exchange's zinc market seemed to be over, traders and analysts were suggesting last night.

This was reflected in a substantial fall in zinc prices yesterday. Metal for immediate delivery closed $21 a tonne down at $1,150 while three-month zinc fell $19.25 to $1,144.

The LME twice issued formal warnings that it was taking an intense interest since the squeeze began to build last December.

Traders suggest that those responsible for the squeeze had used options to take control of between 60 and 70 per cent of the exchange's zinc stocks. However, metal became much more freely available this week and Mr Robin Bhar, analyst at Carr Kitcat & Aitken, said the threat of LME action might have been responsible for the change of heart.

"While some of the technical tightness might have been rolled over to future months, the squeeze is probably over," he added.

There has been widespread market speculation that some zinc smelters have been behind the squeeze, hoping that the resulting higher LME prices would make the mining companies more willing to accept higher charges for treating zinc concentrates.

'Fun and games' at the London Metal Exchange

Kenneth Gooding examines the background to the recent technical supply tightness

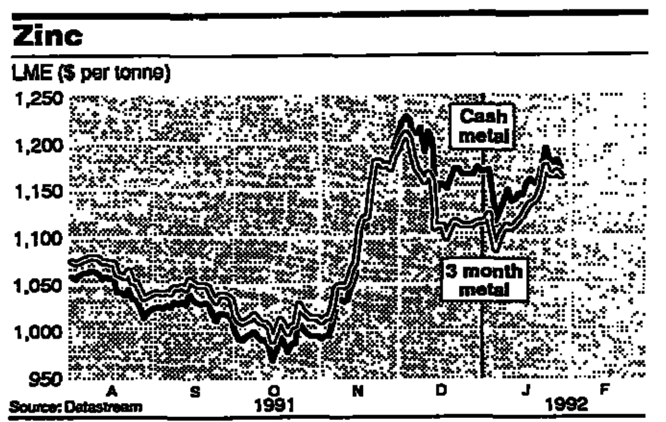
A NASTY technical squeeze on the London Metal Exchange's zinc market seems to have been avoided. The question is: did the squeeze collapse because the exchange frightened off those who might be attempting some manipulation; or is it simply that the people behind the squeeze achieved their objectives?

As with most LME squeezes, only a very few will know the full story. But most of the evidence suggests that an objective was achieved.

The most popular theory about the latest squeeze is that the zinc price was being artificially propped up while the so-called "mating season", or annual contract negotiations, between the Australian miners and Japanese smelters are going on.

According to supporters of this theory, the talks have dragged on much longer than usual because smelters have been holding out for higher charges for treating concentrates from the mines. There is a surplus of concentrates (an intermediate material produced by the mines) so the smelters have been asking for $200 a tonne, up from $180 last year, to treat them.

Producers have argued that *this is unreasonable at a time* when the LME zinc price has been falling. So, according to some traders, some smelters have used the options market astutely to squeeze the LME market and boost the price in the hope that this will make the producers more willing to give way. A squeeze is when pressure is put on a particular delivery date which makes the price of that date higher in relation to other dates.



The contract talks, which usually are out of the way before the year-end, are at last nearing conclusion and analysts suggest it is no coincidence that the LME squeeze is now easing.

As usual when the market appears not to know what is really happening, some fingers are pointing at Marc Rich, one of the world's biggest trading organisations. Some suggest that Rich, based in Zug, Switzerland, has taken control of 60 to 70 per cent of the LME's zinc stocks by the clever use of options.

A source close to Rich, who prefers not to be identified, says this is not quite correct. While the company does have some options, two zinc producers (one European and one North American) are playing a bigger role in the squeeze. All three apparently concluded independently that the zinc price was due to rise.

The source says: "There will be some fun and games, but not in any major way. There will be a little squeeze, no big deal". There certainly will be no repeat of the zinc squeeze *last April* when the backwardation – the premium for metal for immediate delivery over forward prices – soared to $217 a tonne and at one point $60 a tonne was paid to borrow zinc (buy cash and sell forward) for one day.

The squeeze has been building since early December. Dealers say that the technical tightness at one stage forced the premium to borrow metal from February for three months to touch $60 a tonne. But it eased back after Mr David King, the LME's chief executive, gave the first of his two recent warnings that the exchange was "closely monitoring the zinc market".

Analysts suggest that the squeeze has defied the zinc market's fundamental situation. The price stayed up even though record stocks of the metal have been attracted to the LME. Stocks now stand at 167,500 tonnes.

Mr Robin Bhar, analyst at Carr Kitcat & Aitken, part of the Banque Indosuez group, says the squeeze has made consumers shy away from buying zinc on the exchange and frightened off those who might have sold short (sold metal they did not have in the expectation they could buy it at a lower price in future). Neither has there been much hedging or forward selling by producers, perhaps because they fear this would depress the price.

After its January meeting, the LME board said it had "noted and expressed concern about the current tightness for nearby dates in the zinc market". Activity in the market would be closely monitored, it added.

According to Mr Martin Abbott, the LME's marketing director, this was to show "that we are aware of the talk in the market that there could be tightness coming. This tightness has been so well signposted that the whole world should have known about it by now. We, in turn, have reminded the world that we are watching – all the time".

The LME's critics suggest that traders are able to play fast and loose with metal prices, particularly by using options, for their own financial benefit without breaking the rules. Mr Abbott points out in response that markets do not behave in a perfect way at all times. At least "the LME makes any errant behaviour very transparent".

During the zinc squeeze in April last year the LME executive took no overt action but worked hard behind the scenes to make sure matters did not get out of hand.

However, the LME executive has a statutory responsibility not to let a "disorderly" market develop and the executive did have to take action during a similar squeeze in the copper market in December. This quickly ebbed away after the LME imposed a limit of £25 a tonne of the daily backwardation.

Zinc and copper prices dropped substantially after previous squeezes ended. They *attracted a great deal of metal* to LME stocks, which are highly visible. High LME stocks usually have a depressing impact on prices and that impact can last for a very long time after the squeeze is over.

At first sight there seems no reason why history should not repeat itself now the present zinc squeeze is ending. Analysts point out that about half of all zinc consumed outside the former eastern bloc goes into galvanised steel for the construction and automotive industries. Both industries are severely affected by the present prolonged recession.

The International Lead and Zinc Study Group recently estimated that zinc consumption dropped by 1.1 per cent last year while refined metal production reached a record level. Consequently, there was a 170,000-tonne supply surplus. Mr Angus MacMillan, analyst at Billiton-Enthoven Metals, a Royal Dutch/Shell subsidiary, forecasts there will be another surplus in 1992 and says that the zinc price should not be expected to recover until the final quarter of this year.

UK group wins contract to value Peruvian mining giant

By Sally Bowen in Lima

A BRITISH-based firm, International Mining Consultants, has won the contract for valuation of Peru's giant state-owned mining and refining company, Centromin. Valuation, scheduled to take four months, is due to start "in the first days of February", according to a Centromin spokesman.

Peruvian mines minister Mr Jaime Yoshiyama confirmed earlier this week that privatisation in his sector will be under way by August. The seven Centromin production units and the huge smelter and refinery complex at La Oroya should have a price tag by early June.

To win the international tender, IMC has formed an association with a small, but well -established local engineering consultancy, Gerenpro (Gerencia de Proyectos). The contract was signed on 31 December for "a sum in excess of $600,000", according to Centromin. Only a handful of financing documents and the arrival of key personnel is delaying the start of the valuation.

International Mining Consultants is jointly owned by British Coal and Intercontinental Fuels. It was set up three years ago as a holding company for a group of nine consultancy companies in various parts of the world, mainly concerned with mining, metals and energy.

Mr Robert Yates, IMC's director of finance and economics, said the group was among ten international consultancies considered by the Peruvian government. IMC also hopes to be invited to bid for the valuation of Minero Peru if the government decided to press ahead with privatisation of that company.

President Alberto Fujimori this week denied that there had been undue delay in beginning the privatisation process. "We've been in office for only 18 months," he said, "and we started from way below zero, with companies that were in no shape to be privatised."

President Fujimori is calling 1992 "privatisation year" and Centromin is likely to lead the way. "The plan is to subdivide the company and sell-off the separate production units as quickly as possible," he said. "This is vital as Centromin is on the verge of collapse."

Privatisation is now being pushed ahead by a specially formed commission, headed by Mr Yoshiyama. President Fujimori, in an apparent reversal of his earlier position, is not now ruling out debt-for-equity swaps as a privatisation mechanism.

"In certain cases, debt-swaps could be a possibility," he said. "The door is open."

Namibia woos mine investors

NAMIBIAN authorities are preparing what they hope will be an attractive mining code for investors, a senior government official said, reports Reuter from Windhoek.

Mr Leake Hangala, the mines and energy permanent secretary, said the government was drafting mining legislation, a mining tax policy and a labour code to promote mining and energy exploration.

He added that he hoped the legislation would be enacted during the current session of the national assembly.

Only two days ago the South African company Revere Resources announced it intended to develop a major copper mine in Namibia. Mr Hangala described this development as exciting.

The company said it planned to spend about R280m (£48m) developing the Haib porphyry copper-molybdenum deposit, where reserves of 1.5bn tonnes of ore *have been identified* north of the Orange River border.

The mine is expected to begin initial production before the end of the year.

Wheat stocks forecast to fall by 10m tonnes

By David Blackwell

WORLD WHEAT stocks are expected to fall by the end of 1991-92 to 128m tonnes – 10m tonnes less than at the end of last year, according to the latest report from the International Wheat Council.

Stocks in the US will fall from 23.6m tonnes to only 10.6m tonnes, the lowest level since 1974. *But stocks in Can*ada are expected to rise by more than 2m tonnes to 12.6m tonnes, the highest since 1980, following the bumper crop last year. EC stocks, already 16.7m tonnes at the start of the year, could soar to a record 22m tonnes, including 14m tonnes in intervention.

The main reason behind the projected fall in total stocks has been an increase in expected consumption, now estimated at 569m tonnes. However, *this is still below the* 575m tonnes consumed last year.

Food use is forecast to be 380m tonnes, 8m tonnes higher than last year, while animal feed use of wheat is only 4m tonnes lower at 118m tonnes, in spite of the increased price of wheat compared with feed grains this season.

Combined carry over stocks of the five major exporting countries – Argentina, Australia, Canada, the EC and the US – will be 47m tonnes at the end of the year, the *IWC* says. This compares with 54m tonnes last year, but is well above the 38m tonnes seen at the end of 1989-90.

● South Africa, which is usually an exporter of maize, will have to import this year because of widespread crop failure caused by drought, a senior Maize Board official said, Reuter reports from Johannesburg.

The Board's general manager, Hennie Davel, said it was too soon to assess accurately the size of the current crop.

He added, however: "Even if we do have crucial rains, we will still have a deficit. That means we will have to import".

NZ lamb group short-lists UK sites

By Paul Cheeseright, Midlands Correspondent

FORTEX, THE New Zealand lamb processing group that is seeking a site for a UK plant, will hear submissions during *March from four local authori*ties competing to attract the inward investment.

Shropshire County Council said yesterday that Fortex had short-listed a site at Craven Arms, in the lamb-producing south of the county. The other short-listed contenders for the plant are Welshpool in Wales, Dumfries and Galloway, and Lockerbie in Scotland.

Fortex requires a landscaped site of about 50 acres, in an area which would provide stock for the plant and at the same time could act as a distribution centre, the County Council noted.

The initial planned investment is thought to be between £20m and £25m. The plant would process 2m lambs a year. It would offer full- and part-time employment to about 750 people. Since the closure of the J.P. Woods chicken-processing plant in Craven Arms, *with the loss of 500 jobs*, the Shropshire authorities have been particularly anxious to attract new industry to the south of the county.

After hearing what is on offer from the four contenders *for its plant, Fortex is expected* to make a decision on its desired location by May.

African oil producers meet

AFRICAN OIL producers hope to expand production and so increase their influence on world markets, Mr Jibril Aminu, Nigeria's oil minister, said yesterday, reports Reuter *from Abidjan*.

"We hope to increase the amount of hydrocarbons under control of APPA [African Petroleum Producers Association]," he said at a meeting of the 11-member association in *the Ivory Coast capital*.

Association officials said it did not envisage creating its own oil output quota system but tried to tailor output along the general lines of Organisation of Petroleum Exporting Countries policy.

"We support the efforts of Opec in stabilising the market," said Mr Mohamed Souidi, the executive secretary.

Mr Aminu, the current Opec president, said that in a buyers market it was that much more difficult for African oil produc*ers to spend on exploration to* boost market share above the 10 per cent they now control.

Landowners' body launches 'manifesto'

By David Blackwell

THE UK farm sector will not be able to sustain the rural economy single handed in the 1990s, according to the Country Landowners Association, which yesterday launched its Manifesto for the Countryside.

The manifesto will be distributed to all MPs and parlia*mentary candidates for the* coming election, said Mr John Fellowes, president of the CLA, which has 48,000 members. It calls for policies that "promote profits, jobs, conservation and recreation".

The general thrust of the manifesto calls for greater flexibility, particularly in the areas of planning, taxation and farm tenancy legislation. For example, *land ownership is classed* as not being a business, Mr Fellowes said. Capital gains tax makes it impossible for landlords to exchange one asset for another.

Pointing out that farm incomes had fallen by 30 per cent in the past two years, Mr Fellowes said no-one wanted to see the countryside derelict again, as it was in the 1930s. "If you don't have profits in the countryside, you don't have a countryside," he said.

WORLD COMMODITIES PRICES

MARKET REPORT

Silver closed firmer on the London bullion market after dipping on news of a larger than expected fall of 5 per cent in US durable goods orders for December. After opening 6 cents higher it reached *a high for the day of 426 cents* a troy ounce before retreating to its recent 411 to 422 cent range. Comex silver futures were sharply lower at midday. On the LME aluminium prices held relatively steady during the afternoon as renewed support developed after a morning slump to around $1,250 a tonne for three-month metal. Traders said the day had been active, with the recent build-up of resistance on any rises to around $1,300 slowing the market's upward momentum and prompting widespread liquidation. Technical traders had been looking for a downward reaction to correct an overbought situation, but the market will need some evidence that consumers are prepared to pay higher prices before it retests the highs. Copper closed steady in dollar terms. The market continues to monitor the situation in Chile, where miners have said they will stage protests against Codelco privatisation measures. In Chicago soyabeans were falling fast at midsession as chart-based sell orders were triggered under $5.72 a bushel for March.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.15-5.25q	-.075
Brent Blend (dated)	$18.15-8.20	-0.05
Brent Blend (Mar)	$18.00-8.05	-.025
W.T.I. (1 pm est)	$18.80-8.85q	-.025
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$200-202	
Gas Oil	$173-174	-4
Heavy Fuel Oil	$83-84	
Naphtha	$180-183	+½
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$358.15	+0.20
Silver (per troy oz)♣	420.0c	+2.0
Platinum (per troy oz)	$350.25	+1.25
Palladium (per troy oz)	$86.50	-0.25
Copper (US Producer)	102.87c	+0.92
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.17r	-0.02
Tin (New York)	253.5c	+0.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.97p	+1.65*
Sheep (live weight)†♣	107.70p	+3.11*
Pigs (live weight)†	97.75p	+6.74*
London daily sugar (raw)	$209.2y	+0.6
London daily sugar (white)	$268.5y	+0.1
Tate and Lyle export price	£224.0	+1.5
Barley (English feed)	£123z	
Maize (US No. 3 yellow)	£147z	
Wheat (US Dark Northern)	Unq.	
Rubber (Mar)♥	50.25p	-0.50
Rubber (Apr)♥	50.50p	-0.50
Rubber (KL RSS No 1 Feb)	216.0m	+1.0
Coconut oil (Philippines)§	$752.5y	+2.5
Palm Oil (Malaysian)§	$362.5q	
Copra (Philippines)§	$490.0t	
Soyabeans (US)	£148.5	-7.5
Cotton "A" Index	56.95c	-1.5
Wooltops (64s Super)	411p	+0.15

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)
Raw	**Close**	**Previous**	**High/Low**
Mar	183.00	183.60	185.40 183.00
May	183.60	184.40	185.40 184.00
Aug	186.00	186.40	187.00 185.80
White	**Close**	**Previous**	**High/Low**
Mar	263.9	265.60	265.5 264.0
May	267.9	269.05	269.5 268.0
Aug	271.9	272.90	272.5 271.5
Oct	260.9	261.56	261.5 260.0
Dec	262.4	262.54	262.0
Mar	262.9	263.02	263.0
May	265.9		265.0

Turnover: Raw 369 (460) lots of 50 tonnes. White 570 (-)
Paris- White (FFr per tonne): Mar 1461.63, May 1501.54

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Mar	18.12	18.09	18.17 17.85
Apr	18.03	17.95	18.06 17.77
May	17.98	17.82	17.98 17.76
Jun	17.75	17.78	17.94 17.74
Jul	17.78	17.75	17.92 17.75
IPE index	*18.16*	*18.27*	

Turnover 12000 (21572)

GAS OIL – IPE			$/tonne
	Latest	Previous	High/Low
Feb	169.00	172.50	173.75 167.75
Mar	167.00	170.50	171.50 165.75
Apr	165.25	167.25	168.50 164.50
May	163.50	165.00	166.00 162.00
Jun	165.00	166.25	165.50 165.00
Jul	166.25	167.50	167.50 165.00
Aug	168.25	169.50	169.50 168.25
Sep	170.25	171.50	171.00 170.00
Oct	172.25	173.50	173.00 172.25

Turnover 11430 (8645) lots of 100 tonnes

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Jan.30	Jan.29	mnth ago	yr ago
	1588.2	1586.4	1591.3	1658.1
DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan.29	Jan.28	mnth ago	yr ago
Spot	115.44	115.62	112.23	121.92
Futures	123.44	122.93	120.37	125.16

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Mar	732	724	732 723
May	760	750	760 750
Jul	786	777	786 778
Sep	809	800	809 803
Dec	840	831	839 833
Mar	870	862	870 864
May	889	881	888

Turnover: 4099 (2684) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan.29 905.30 (900.25) 10 day average for Jan.30 913.39 (913.06)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Jan	904	940	917 916
Mar	911	930	926 903
May	911	930	925 902
Jul	923	948	934 918
Sep	943	969	950 940
Nov	959	987	963 958

Turnover:5926 (3200) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan. 29: Comp. daily 57.67 (59.10) 15 day average 61.35 (61.67)
Sterling close: January £515 , March £515

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Feb	100.0		95.0
Mar	117.0		113.0
Apr	118.0	118.5	119.0 117.9
May	138.5		138.0 136.5

Turnover 212 (25) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Feb	128.00	128.00	128.00

Turnover 25 (110) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Jan	1457	1452	1460 1454
Feb	1471	1450	1480 1460
Mar	1510	1485	1509 1485
Apr	1527	1504	1530 1505
Jul	1310	1270	1305 1295
BFI	1440	1447	

Turnover 211 (209)

GRAINS – London FOX			£/tonne
Wheat	**Close**	**Previous**	**High/Low**
Mar	127.50	127.15	127.50 127.15
May	131.00	130.80	131.00 130.80
Sep	111.95		112.15
Barley	**Close**	**Previous**	**High/Low**
Mar	119.35	119.50	
May	122.10	122.25	

Turnover: Wheat 119 (90), Barley 0 (35).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Feb	120.5	119.4	120.0 119.5
Mar	119.0	118.0	119.0 118.2
Apr	117.0	116.5	116.7
May	115.5		115.5 115.0
Jun	113.5	113.5	113.5
Aug	107.0		108.0
Sep	107.0	107.0	108.0

Turnover:122 (80) lots of 3,250 kg

LONDON METAL EXCHANGE	(Prices supplied by Amalgamated Metal Trading)				
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 28,090 lots
Cash	1234.5-5.5	1254-5		1235-6		
3 months	1259-60	1279-80	1279/1251	1260-1	1258-7	135,953 lots
Copper, Grade A (£ per tonne)					Total daily turnover 21,287 lots
Cash	1222-4	1211.5-2.5	1223/1217	1216.5-7.0		
3 months	1246-7	1238-9	1259/1240	1243-3.5	1258-9	118,840 lots
Lead (£ per tonne)					Total daily turnover 1,871 lots
Cash	282.5-3.5	280-1		280.75-1.0		
3 months	294-5	292-2.5	294/292	292-2.25	295-6	16,806 lots
Nickel ($ per tonne)					Total daily turnover 2,739 lots
Cash	7660-70	7670-80	7665/7665	7666-70		
3 months	7735-40	7750-5	7750/7710	7740-5	7740-50	21,424 lots
Tin ($ per tonne)					Total daily turnover 882 lots
Cash	5460-70	5465-75		5460-5		
3 months	5520-30	5525-30	5530/5510	5520-5	5520-30	5,034 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 12,006 lots
Cash	1149-51	1170-2	1154.5/1154.5	1154.5-5.5		
3 months	1144-4.5	1163-4	1163/1140	1149.5-0.5	1149-50	44,813 lots

LME Closing £/$ rate:
SPOT: 1.7692 3 months: 1.7522 6 months: 1.7273 9 months: 1.7030

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	355.90-356.40	
Opening	356.90-357.30	
Morning fix	356.50	198.685
Afternoon fix	356.00	197.723
Day's high	357.30-357.60	
Day's low	355.80-356.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.33	6 months	3.29
2 months	3.31	12 months	3.29
3 months	3.30		

Silver fix	p/fine oz	US cts equiv
Spot	236.25	423.50
3 months	242.40	427.75
6 months	248.20	431.95
12 months	259.95	442.00

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	356.00-357.00	197.75-198.25
Maple leaf	367.00-368.00	204.25-204.75
New Sovereign	87.00-88.00	48.50-49.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1150	103	135	5	17
1250	35	71	37	51
1350	6	31	108	110
Copper (Grade A)	Calls		Puts	
2100	111	130	3	21
2200	37	68	29	57
2300	6	29	96	117
Coffee	Mar		Mar	
450	67		9	
500	23		6	
550	3		38	
Cocoa	Mar	May	Mar	May
700	37	69	5	10
725	20	51	13	17
750	10	37	28	28
Brent Crude	Mar	Apr	Mar	Apr
1750	57		13	45
1800	30		27	74
1850	10	43		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Feb	353.4	358.1	357.7	353.0
Mar	354.5	357.1	0	0
Apr	355.6	358.2	358.8	355.0
Jun	357.7	360.3	361.3	357.0
Aug	359.9	362.4	363.0	361.6
Oct	362.0	364.5	364.5	364.5
Dec	364.3	366.7	366.7	365.0
Feb	366.5	369.0	369.8	366.7
Apr	355.6	358.2	359.8	355.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	348.7	349.4	352.5	348.0
Jul	347.7	349.4	350.0	347.0
Oct	348.7	352.4	353.6	349.0
Jan	348.7	352.4	351.5	351.5

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Feb	413.1	423.4	0	0
Mar	414.5	424.8	424.5	412.0
May	417.6	427.9	426.0	415.5
Jul	420.8	431.1	431.0	420.0
Sep	424.2	434.5	0	0
Dec	429.6	440.1	439.0	428.0
Jan	431.7	442.0	0	0
Mar	435.7	446.0	446.5	446.5
May	440.0	450.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	98.60	98.90	99.10	98.20
Mar	99.00	99.10	99.50	98.25
Apr	98.85	98.95	98.90	98.90
May	98.75	98.85	99.20	98.20
Jun	98.70	98.85	0	0
Jul	98.65	98.80	99.10	98.25
Aug	98.75	98.85	0	0
Sep	98.80	98.90	99.25	98.60
Oct	98.80	98.90	0	0
Nov	98.90	99.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.33	8.34	8.44	8.32
May	8.40	8.44	8.50	8.39
Jul	8.40	8.46	8.52	8.40
Oct	8.42	8.48	8.56	8.41
Mar	8.44	8.53	8.56	8.44
May	8.39	8.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Mar	18.92	18.89	18.93	18.81
Apr	19.07	19.02	19.10	18.80
May	19.16	19.11	19.18	18.91
Jun	19.16	19.13	19.18	18.96
Aug	19.16	19.14	19.18	19.00
Sep	19.14	19.14	19.19	19.00
Oct	19.19	19.15	19.18	18.97
Nov	19.09	19.16	19.19	18.96
Dec	19.09	19.17	19.21	19.00

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	5245	5399	5370	5175
Mar	5310	5409	5350	5240
Apr	5270	5318	5290	5200
May	5225	5242	5235	5150
Jul	5215	5220	5225	5170
Aug	5280	5285	5310	5255
Oct	5500	5515	5500	5485

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	1204	1191	1206	1186
May	1238	1226	1244	1223
Jul	1275	1268	1279	1262
Sep	1305	1298	1307	1298
Dec	1342	1333	1342	1342
Mar	1374	1365	0	0
May	1395	1386	1391	1385
Jul	1415	1406	0	0
Sep	1445	1436	0	0
Dec	1475	1466	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	74.60	73.85	74.70	73.75
May	77.40	76.70	77.55	76.75
Jul	80.15	79.50	80.30	79.55
Sep	83.05	82.45	83.05	82.25
Dec	86.65	86.10	86.45	85.80
Mar	89.65	89.20	89.70	89.60
May	92.00	92.00	92.00	92.00

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	53.88	53.95	54.40	53.60
May	55.78	55.88	56.30	55.58
Jul	57.22	57.30	57.70	56.95
Oct	59.20	59.40	59.75	59.20
Dec	59.87	60.20	60.50	59.85
Mar	61.40	61.75	61.50	61.50
May	62.05	62.30	0	0
Jul	62.65	62.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	143.25	144.70	145.95	141.25
May	143.00	145.30	146.75	142.00
Jul	142.75	145.35	146.75	142.25
Sep	140.00	142.55	143.00	140.90
Nov	131.75	133.60	134.00	132.55
Mar	131.65	133.50	0	0
May	131.65	133.50	0	0

FRUIT & VEGETABLES
Pears are this week's best fruit buy with English Conference at 35-50p a lb and English Comice at 45-60p a lb, reports the FFVIB. Oranges remain a good buy at 12-35p each as are kiwifruit at 15-20p each. Cape Thompson and sultana grapes at £1.00-1.40 are plentiful. Egyptian new potatoes at 25-30p a lb are a good veg buy as are English and Dutch onions at 18-20 a lb. Various mushrooms are plentiful with cups 60-90p a ½ lb and buttons 75p-£1.00 a ½ lb. Tomatoes are reasonably priced this week at 50-60p a lb, along with celery at 55-65p a head and Iceberg lettuce at 50-80p a head.

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	572/6	576/2	578/0	580/0
May	576/6	582/2	584/0	578/2
Jul	587/4	593/0	593/2	584/0
Aug	591/4	596/0	596/0	590/0
Sep	594/4	600/0	598/4	593/0
Nov	602/2	607/6	606/0	601/0
Jan	610/2	616/4	614/2	610/2
Mar	620/0	626/4	621/4	618/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	19.38	19.36	19.52	19.28
May	19.68	19.67	19.80	19.55
Jul	19.96	19.98	20.08	19.88
Aug	20.12	20.15	20.28	20.08
Sep	20.22	20.26	20.35	20.18
Oct	20.34	20.35	20.45	20.30
Dec	20.61	20.65	20.75	20.52
Jan	20.65	20.65	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	175.2	176.8	176.8	174.8
May	176.6	178.1	178.1	176.0
Jul	178.6	180.3	180.0	178.0
Aug	179.7	180.7	180.7	179.0
Sep	180.4	182.0	181.5	179.7
Oct	184.7	186.6	186.5	184.2
Dec	187.0	188.5	187.5	186.8
Mar	199.0	201.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	263/4	263/2	264/0	260/4
May	269/6	269/4	271/0	269/0
Jul	274/2	274/4	275/4	271/6
Sep	270/2	271/2	271/4	269/6
Dec	267/6	268/4	268/0	266/0
Mar	274/0	274/4	274/4	272/0
May	278/4	279/0	278/4	276/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	438/0	441/4	442/4	430/0
May	419/4	421/2	420/0	416/4
Jul	386/2	387/4	388/0	384/0
Sep	389/0	391/4	391/2	387/2
Dec	396/4	399/6	398/4	395/2
Mar	399/4	401/0	399/4	396/2

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	78.42	78.82	78.70	78.15
Apr	76.80	77.32	77.28	76.80
Jun	72.07	72.42	72.50	72.05
Aug	69.72	69.90	69.15	69.70
Oct	69.37	69.57	69.70	69.32
Dec	70.30	70.30	70.45	70.10
Feb	69.90	70.00	70.05	69.80

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	40.72	41.15	[illegible]	[illegible]
Apr	38.60	40.00	[illegible]	[illegible]
Jun	43.62	43.85	[illegible]	[illegible]
Jul	44.15	44.45	44.57	[illegible]
Aug	43.02	43.12	[illegible]	[illegible]
Oct	40.17	40.35	40.85	[illegible]
Dec	43.07	43.35	43.30	[illegible]
Feb	44.65	44.65	0	[illegible]

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	32.70	[illegible]	[illegible]	[illegible]
Mar	33.07	33.72	[illegible]	[illegible]
May	34.27	34.97	[illegible]	[illegible]
Jul	35.52	35.90	[illegible]	[illegible]
Aug	34.67	34.67	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Market deals boost equity business

By Terry Byland, UK Stock Market Editor

SEVERAL large trading programmes in blue chip equities helped the London stock market yesterday and, after tracing an erratic pattern, the FT-SE Index managed to close above the 2,550 mark again. The index benefited from gains in a handful of constituent stocks, including Rank Organisation, which rebounded strongly after the trading report dispelled last week's bearish fantasies.

London turned firmer towards the close when Wall Street came in with a 9.6 Dow gain in early deals, but the generally unconvincing response to President Bush's State of the Union Message continued to hang over investors. The firmer trend in the dollar appeared to have only a marginal effect on the international stocks.

Account Dealing Dates		
*First Dealings:		
Jan 13	Jan 27	Feb 10
Option Declarations:		
Jan 23	Feb 6	Feb 20
Last Dealings:		
Jan 24	Feb 7	Feb 21
Account Day:		
Feb 3	Feb 17	Mar 2

*New-time dealings may take place from 8.30 am two business days earlier.

On the domestic side, retail stocks weakened as Marks and Spencer, one of Britain's best-known high street names, was taken off the recommended buy list of County NatWest, the London based investment bank.

UK equities opened sharply lower in the wake of Wall Street's fall of 47 points overnight but quickly rallied, helped by the first of at least four trading programmes. The initial programme, relatively modest and limited to non-Footsie stocks, was quickly followed by another much larger trading operation by a leading brokerage house. Traders believed that the second programme, which ranged through the Footsie list, was worth more than £360m.

However, the market failed at its first attempt to rescale the Footsie 2,550 mark and lost a net six points as turnover faded for a time. Two further trading programmes, reportedly from UK securities houses, together with the early improvement on Wall Street, provided renewed encouragement for London in the final couple of hours of the trading session.

The best gains were not held and the final reading on the FT-SE Index of 2,550.8 was 4.3 up on the day, compared with a 9.5 gain only 20 minutes earlier.

Dealers sounded relatively unenthusiastic at the close, in spite of the brighter showing by share prices. Outside of the trading programmes, investment interest was highly stock selective and often for very visible reasons.

Seaq volume, boosted by the trading programmes, increased to 680.5m shares from the 559.7m of the previous session; on Wednesday, retail business remained just short of the £1bn mark, continuing the disappointingly low level of genuine investment activity which has developed over the past week.

Heavy trade in shares of BT followed a somewhat cautious trading statement from the UK telephone and telecommunications group, which coincided with new pricing proposals from Oftel, the industry regulator. The shares closed firmly with at least one London broker regarding them as cheap.

The rise in Rank Organisation, which represented nearly one point of yesterday's gain in the Footsie, implied a successful outcome to what can now be identified as a bear raid on the stock during last week.

Among the pharmaceuticals, interest continued to turn away from Glaxo and to focus on Fisons where the market is convinced that a stakebuilder is at work. ICI continued to drift lower as the stock market assessed the outlook for the share price now that Hanson has ruled itself out as a bidder.

Rank up sharply on figures

THE much-trumpeted adverse developments feared from Rank Organisation failed to materialise yesterday when the full-year figures were announced. Profits, earnings and debt all came comfortably within analysts' ranges, while the dividend – the target of worries which depressed the shares last week – was maintained.

A relieved market sent the shares up 45 to 640p, just above their level of two weeks ago, in very heavy turnover of 4.6m.

Analysts remain divided over prospects for the leisure group. UBS Phillips & Drew is cautious, while County NatWest, a long-time bear of the stock, also sees little prospect of recovery, advising a "weak hold" until the dividend is paid. Ms Lisa Gordon at County also warns: "Rank will have to address the problem of its debt, either through a rights issue or by disposals."

Smith New Court, however, is more bullish, believing that "the company's credibility has been restored". Kleinwort Benson is also positive. Mr Paul Slattery said: "1993 will be Rank's year for growth, particularly through its US operations."

He is raising his pre-tax profits forecast for the coming year by £35m to £285m, compared with Paribas' £305m, Smith's £282m, UBS's £280m and County's £270m. For 1993, Kleinwort and Paribas forecast £355m, Smith £345m, UBS £310m and County £305m.

Heavy BT trade

The two classes of BT stock between them easily topped the market's list of active stocks after the telecoms group unveiled third-quarter profits below those of the comparable period last year. The results were at the top end of market expectations but were closely followed by publication of the consultative document on BT tariffs by Oftel, the industry regulator.

At the close, BT "old" shares were 4 up at 329p on volume of 8.8m, while the "new" settled 2 firmer at 119p on big turnover of 27m. At their best yesterday the two stocks touched 332p and 122p respectively.

Mr Robert Millington, telecoms specialist at BZW, the investment bank, said the figures were the first manifestation of the tariff cuts instigated by Oftel during the summer and the recession in the UK, and that the chances of more big cuts are "receding very quickly".

He noted that return on capital employed had already fallen to "more acceptable levels". Mr Christopher Tucker at Carr Kitcat & Aitken said the Oftel document "will help to dispel some of the wilder speculation about a more aggressive price control regime".

Reuters favoured

Interest in Reuters pushed the shares to £11 for the first time since their plunge 18 months ago, when they reacted to a second-half profits warning.

The spur, yesterday, was a belief in the market that US securities house Wertheim Schroder had put out a note reiterating the positive stance on the stock which it first adopted in December.

There was also optimism over the trials for Reuters' much-vaunted automated foreign exchange system, Dealing 2,000-2. The Professional Investor Report, a US newswire service that concentrates on market speculation labelled the trials as "impressive". The shares were strong all day, reaching a mid-price high of 1103p before closing 20 to the good at £11 with 1.6m dealt.

GEC wanted

GEC shares powered ahead to their best level since April 10 last year, closing 6½ higher at 209p. Turnover in the stock, noticeably heavier over the past few sessions, expanded rapidly to top 14m yesterday.

Last week GEC-Alstom announced a £550m-plus contract and there were suggestions in the market that more big orders could be on the way soon. Dealers paid little notice to some wild stories of a break-up bid for GEC.

Dealers reported another burst of speculative buying in Premier Consolidated Oilfields, the oil exploration group, which rose 1¼ to 28½p on keen turnover of 3.5m. Monument Oil & Gas, marginally ahead at 35½p, was suggested as a potential predator.

Shell Transport, which figured prominently in the big programme trades executed yesterday, lost 3 more to 481p on turnover of 5.4m, not helped by a strong sell recommendation from Strauss Turnbull.

S.G. Warburg rose 8 to 563p after being included in the prestigious County-30 list of best buys.

County was also influential in hitting the insurance broking sector, which it viewed as "significantly overvalued". Willis Corroon slipped 3 to 350p and Sedgwick declined to 210p before bouncing to close 4 ahead at 218p. There was another heavy trade (7.4m shares) in Guardian Royal Exchange, where stakebuilding and takeover stories refused to die down. GRE settled 2 firmer at 136p.

Vodafone eased a shade to 346p after Hoare Govett published a note detailing the increasing competition threat in the UK mobile radio market. Hoare labelled Vodafone shares as "overvalued". A recent broker visit to Volex resulted in some keen support for the stock, which moved up 6 to 295p.

Dealers felt that a UK television documentary on Hanson, shown on Wednesday evening, had made little impact on the stock market. The shares, which had fallen on the previous day on concern over what the programme might reveal, bounced up 4 yesterday to 207p.

Recovery continued in Fisons, which gained 14 to 396p on heavy turnover of 7.2m, with some traders talking of a chart break-out. News on Tuesday that the UK has relicensed all formulations of its Opticrom eye preparation product, coupled with the persistence of bid talk, ensured firmness.

Glaxo fell 13 to 835p in a follow-through reaction to overnight US sales of the pharmaceutical group's American Depositary Receipts. The shares were later affected by fierce two-way trading in the US, where Merrill Lynch was said to be offering stock and Salomon Brothers was said to be on the buy.

SmithKline Beecham "A" climbed 14 to 963p and the Units were particularly strong, jumping 130 to 4268p. Hoare Govett reinforced its positive stance on the stock in a review of the sector published yesterday. The stock also benefited from speculation that the company had made a research breakthrough on an Aids drug. SmithKline later said there was no basis for the rumour.

Pharmaceuticals group Medeva rose sharply for the second day running following a positive presentation to institutional investors by securities house Strauss Turnbull. The shares added 15 at 279p.

Brewers weakened after Courage, part of the Australian-based Foster's Brewing group, told analysts that that it expected UK beer turnover to fall by 4 per cent this year and probably not show an upturn until 1993. The brewer was also said to have voiced concern over the standard lager market.

Bass, which produces Carling Black Label and Tennents lagers, lost 3 to 544p.

The effect of a note by UBS Phillips & Drew on Grand Metropolitan and its pension fund was compounded by speculation that the company might launch a bid for Pernod Ricard, of France, and the shares lost 9 to 935p.

A buy recommendation from Carr Kitcat & Aitken helped Lucas Industries add 4 at 118p. Mr David Blackwood at Carr is predicting current-year profits of £36m, with £80m for the following year.

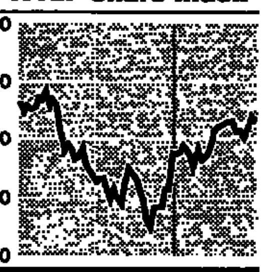
Vickers hardened 5 to 176p as talk of interested parties for the company's Rolls-Royce Motor Cars subsidiary increased.

Aerospace and electronics concern M.L. Holdings fell 10 to 43p after reporting a first-half loss of £1.31m, against a £3.02m profit a year earlier.

Food retailer Albert Fisher retreated 6 to 71p after several brokers reduced profits forecasts for the company.

MARKET REPORTERS: Peter John, Joel Kibazo, Colin Millham, Chris Price, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 24.



NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (55). BRITISH FUNDS (13) Fd. 8pc 1993, Tr. 9pc '92-96, Ex. 10½pc 1997, Ex. 9¾pc 1998, Tr. 8¾pc '95-98, Tr. 9½pc 1999, Tr. 10½pc 1999, Cv. 10¼pc 1999, Cv. 9pc 2000, Tr. 10pc 2001, Tr. 9¾pc 2002 C, Tr. 2½pc IL 2003, Tr. 2pc IL 2006. OTHER FIXED INTEREST (8) African Dev. 11¼pc 2010, Asian Dev. 10¼pc 2009, Hydro Quebec 15pc 2011, Intl-Amer. 12½pc 2003, Do. 9¾pc 2015, BREWERS & DISTILLERS (3) Greene King, Mansfield, Young N/V, BUSINESS SERVICES (5) Barbour Index, Hays, Johnson Cleaners, Serco, Sharwood Computer, CHEMICALS (2) BTP, Courtaulds, CONGLOMERATES (1) Bodycote, [illegible] Zero Prf., General Cons. Stppd. Prf., I & S Optimum Inc. Zero Prf., Kleinwort High Inc. Zero Prf., Latin Amer. Inv. Do. Wrrnts., Manakin, Murray Enterprise Zero Cnv. 1994, River & Merc. Stppd. Prf., Strata Invs., TR Tech. Zero Prf., MEDIA (4) News Intl., Radio Clyde, Reuters, Scottish TV, MERCHANT BANKS (2) Warburg (SG), Do. 8pc Prf., MISCELLANEOUS (2) Banks (SC), FII, MOTORS (1) Barr & WAT A, OTHER FINANCIAL (5) Aitken Hume, Baring Chrysalis Fund Wrrnts., Baring Puma, India Fund, Templeton Galbraith, OTHER INDUSTRIAL MATERIALS (2) ECC, Harris (Ph), PACKAGING, PAPER & PRINTING (3) Bowater, Do. 7.75pc Prf., Boxmore, CMB Packaging, Smurfit (J), TEXTILES (1) Leeds.
NEW LOWS (30). BUSINESS SERVICES (1) Brooks Serv., CHEMICALS (1) Anglo United, Harlow, CONGLOMERATES (1) Reece, CONTRACTING & CONSTRUCTION (3) CALA, Laing (J), Do A N/V, ELECTRICITY (1) [illegible] (1) Allied Partnership, PACKAGING, PAPER & PRINTING (1) Waverley Cameron, PROPERTY (8) Cabra Ests., Capital & Counties, Chesterfield, Mountleigh 5.25pc Prf., Watergiade 7.75pc Prf., STORES (1) Cantors, TEXTILES (1) Lister, MINES (2) Bullels, Northgate Expln.

FINANCIAL TIMES STOCK INDICES

	Jan 30	Jan 29	Jan 28	Jan 27	Jan 24	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.94	87.90	87.84	87.74	87.70	85.43	87.94 (18/9/91)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	100.62	100.68	99.98	99.86	99.87	91.77	100.68 (29/1/92)	90.59 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1973.6	1965.8	1973.8	1966.4	1944.9	1697.9	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	146.1	148.9	153.3	152.8	152.6	136.2	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2550.8	2546.5	2552.0	2539.9	2510.4	2170.3	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1171.02	1169.32	1178.40	1178.71	1164.15	990.87	1168.50 (3/9/91)	938.62 (16/1/91)	1169.50 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.63	4.64	4.63	4.65	4.70	5.63				
●Earning Yld % (full)	6.94	6.96	6.94	6.97	7.05	11.72				
●P/E Ratio(Net)(*)	18.11	18.06	18.11	18.03	17.83	10.31				
SEAQ Bargains 4.45pm	29,289	27,386	27,881	26,965	33,312	33,256				
Equity Turnover(£m)†	-	959.4	952.0	821.4	1,004.6	1755.61				
Equity Bargains†	-	27,690	27,458	27,352	32,682	32,480				
Shares Traded (ml)†	-	460.1	450.3	376.5	569.9	682.1				

[illegible]

Ordinary Share Index, Hourly changes — Day's High 1976.7 Day's Low 1955.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1955.9	1963.0	1964.4	1968.4	1968.6	1968.0	1968.3	1963.1	1975.1

FT-SE 100, Hourly changes — Day's High 2556.0 Day's Low 2533.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2533.9	2541.6	2538.0	2545.7	2545.5	2542.5	2542.5	2538.8	2553.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1174.14 Day's Low 1167.78

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1168.73	1169.45	1170.41	1173.90	1172.91	1171.56	1169.44

GILT EDGED ACTIVITY

Indices*	Jan 29	Jan 28
Gilt Edged Bargains	90.1	84.4
5-Day average	87.8	85.6

*SE Activity 1974. †Excluding intra-market business and Overseas turnover.

London report and latest Share index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TRADING in Footsie futures was volatile with a squeeze in the closing minutes of the session helping to lift the underlying cash market out of the doldrums, writes Joel Kibazo.

There was little buying interest for the March contract early in the session and it fell to the day's low of 2,561 by around 9am. Bargain hunters soon caused a turnaround in the contract but the buoyancy was curtailed by the release of disappointing US statistics.

Nevertheless, a firm Wall Street and several buying orders late in the session triggered a squeeze, sending March higher which helped to revive the cash market.

March closed at 2,584, a premium to the index of 28, and 12 points above its estimated fair value premium of 16. Turnover was 8,218 contracts.

In the traded options market, turnover surged to 32,791 contracts, above the 30,000 break-even level, and with the Footsie-100 option accounting for 10,847 lots. BZW was reported to have done most of the day's trading in the index. British Steel was the busiest stock option. It traded 3,254 contracts in what dealers said was largely "protection business". This was followed by Fisons with 1,833 contracts. Asda, Hillsdown, and Glaxo were also busy.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+or-	1991/92 High	Low	Yield Int.	Red.
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+or-	1991/92 High	Low	Yield Int.	Red.
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+or-	1991/92 High	Low	Yield Int.	Red.
Index-Linked [illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+or-	1991/92 High	Low	Yield Int.	Red.
[illegible]							

APPOINTMENTS

Pretty leaves Budgens

Graham Rigby, one of the management troika brought into Budgens by unhappy institutions at the end of last April, becomes group finance director following the resignation yesterday of Derek Pretty.

Rigby, 50, a chartered accountant previously at Dunlop and BTR, joined the board of the small food retailer – one of the pioneers of Sunday trading – as executive director in charge of distribution.

"Now that I think we have made headway on that side, I am returning to my own discipline which is finance," he says, adding that he will retain responsibilities for distribution.

Pretty, 44, had been in the post only a year when chief executive John Fletcher was ousted by a group of shareholders. Pretty says that while the new chief executive John von Spreckelsen asked him to stay, he found his own position gradually squeezed; Christian Williams, who also joined in April, was running the treasury and Rigby began to take on more of the financial controlling tasks.

"I knew it would be a difficult job when I joined - although maybe I didn't foresee how difficult," says Pretty.

Rigby, who is English, is surrounded by a cosmopolitan team. Von Spreckelsen is German, and had just turned round the troubled German retailer Kafu Wasmund before he arrived at Budgens. Williams, who possesses dual English and Danish nationality, worked with von Spreckelsen on the Kafu enterprise.

Greycoat founder goes

Ronald Spinney has resigned as deputy chairman and joint managing director of the Greycoat property company.

Although one of the founders of Greycoat in 1976, his career has not survived the company's decision to reduce its development activity: Greycoat is focused on the central London office market, which has been particularly badly hit by the property downturn.

He was involved in building offices such as Embankment Place above Charing Cross and 123 Buckingham Palace Road. Now 50, he will act as a consultant to Greycoat, while pursuing other activities in the commercial property market.

Greycoat confirmed that Richard Guignard, finance director, will act as chief executive while Geoffrey Wilson, executive chairman, is recovering from a heart operation.

■ Graham Jacks is appointed finance director of BRYANT Properties Developments and Bryant Properties Investments.

Insurance moves

LOWNDES LAMBERT, the insurance broker which went public in July, has taken steps to strengthen its senior management team with the appointment of William Wilks as its new finance director.

Wilks, 51, is new to the insurance scene. An FCA, he was previously finance director of Channel Three Wales & The West, a company which recently lost out in the bidding for the Wales and west country TV franchise.

Until then he was group finance director of John Laing and has also had a lengthy spell, as finance and development director, at Reed International.

Wilks' appointment leaves Stewart Wilson, who had combined the finance job with management of the group's overseas holding company, free to concentrate on expanding Lowndes Lambert's interests abroad.

HAYTER BROCKBANK, the Lloyd's agency, is to appoint Henry Engelhardt to head its new motor insurance subsidiary, which will sell motor insurance directly to the public over the telephone. Engelhardt, now in his mid-30s, comes from Chicago, where he worked on the stock exchange. He joined Churchill, the direct motor insurer set up by Switzerland's Winterthur, in 1989 and spent two years there as head of marketing and sales.

■ George Willman is promoted to senior vice-president and general manager for the UK of CONFEDERATION LIFE on the retirement of Kenneth Hilton, who remains a non-exec of the UK subsidiaries.

■ William Petzold is promoted to deputy chairman and Raymond Dumas, Tony Taylor and Tom Busher directors of WELLINGTON Underwriting Holdings.

■ Philip Britton is broking director at ALSFORD PAGE & GEMS.

■ George Moore has resigned as a director of STEEL BURRILL JONES Group but remains a director of Steel Burrill Jones Ltd and chairman of SBJ North America. Martin Pretlove is appointed md of Devitt Insurance Services on the retirement of Bob Ainsworth.

■ Robert Dimond and Mark Streatfield are appointed directors of MILLER FINANCIAL & PENSION SERVICES.

■ Bill Jack is promoted to general manager, GENERAL ACCIDENT Life and General Accident Linked Life on the retirement of Jack Philp.

■ Linda Hutchinson is a director of DEVITT Insurance Services.

■ John Cole, formerly md of Berry Birch & Noble Financial Services, is appointed group md; he replaces David Birch, who remains a director.

■ Christopher Keey will be retiring as deputy chairman of MINET HOLDINGS from the end of March.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	34¼xd	+¼	35⅝	20⅞	14,565	1.6
♥Allegheny & W	285p	-12	380p	218p	148.7	5.9
Amdahl	927pxd	-19	1018p	667p	1,829	0.6
Amer Cyanamid	34⅛	-½	42⅛	25⅜	3,182	2.5
Amer Express	11[illegible]xd	-[illegible]	17⅞	9[illegible]	5,615	4.8
Amer T & T	20[illegible]xd	-⅛	24½	15¼	27,348	3.5
Ameritech	35½	+½	38⅞	32½	15,488	5.4
BankAmerica	21⅞xd	-[illegible]	26[illegible]	12[illegible]	4,765	3.1
Bankers NY	35⅝xd	-⅜	38[illegible]	20[illegible]	2,927	7.7
Bell Atlantic	25¾xd	+⅜	30½	24¼	10,128	5.5
BellSouth	27¾	+¼	31¼	25	13,459	5.6
♥Bethlehem Steel	7⅞xd	-1	11¼	6[illegible]	880.2	2.9
Bowater	1332p	+41	1636p	1042p	478.5	5.1
CPC	46¾xd	-⅛	54[illegible]	37[illegible]	3,633	2.6
California Engy	741p	-8	938p	420p	134.9	–
Campbell Soup h	22	-[illegible]	25	14⅛	5,538	1.8
Chase Manhattan	11½xd	-[illegible]	12¾	5[illegible]	1,583	5.9
Chrysler	8½xd	-[illegible]	9[illegible]	5⅜	2,829	4.2
Citicorp	8⅝xd	-¼	10⅜	4⅝	2,876	–
Colgate-Palm	26⅛xd	-¼	27⅝	21[illegible]	3,799	2.3
Cont'l Bank	725p	-7	928p	438p	732.6	6.2
Dana	17½xd	-½	21⅝	13⅝	719.3	5.1
Data General	821p	—	1282p	203p	171.4	–
Dial	27¼xd	+¼	27⅞	12⅞	1,861	2.9
Dun & Brad	30¾	—	31⅝	20¾	5,487	4.0
Eaton	38⅜	+⅞	40	24¼	1,288	3.2
Echlin	8¼xd	-⅛	8[illegible]	5½	460.7	4.8
FPL	19¼xd	+1⅛	28⅛	14[illegible]	3,263	7.0
Fluor	25⅝xd	+½	30[illegible]	17[illegible]	2,874	0.9
Ford Motor	17½xd	-[illegible]	23¼	13	8,225	3.3
Gen Elect	42⅞xd	-[illegible]	46[illegible]	28[illegible]	37,155	2.7
♥General Host	494p	+4	568p	270p	–	4.1
Gillette	27¾xd	+½	45¾	20⅞	6,067	1.3
Hasbro	22	+⅛	24	7[illegible]	1,261	0.6
Honeywell	40¼xd	+1	40½	21¾	2,887	2.3
Houston Inds	24⅛	+⅛	24⅝	17⅞	3,142	6.8
IBM	54½xd	+2¾	72[illegible]	46	31,181	5.0
Ingersoll-Rand	32¼xd	-⅛	38[illegible]	18[illegible]	1,672	2.3
Lockheed	22⅛xd	-¼	28⅛	16⅝	1,416	5.0
Lowe's	2232p	+51	2239p	1245p	812.7	1.4
Merrill Lynch	32[illegible]xd	-[illegible]	39[illegible]	10[illegible]	3,384	1.7
Morgan (JP)	34¼xd	-½	38¼	21[illegible]	8,469	3.6
Morris (Philip)	42⅜xd	—	44⅝	25[illegible]	38,231	2.8
NYNEX	42¾	-⅜	46¾	39	8,671	6.0
♥Pac Agric	28½p	—	89p	15p	–	–
Pall	16¾	-⅛	17[illegible]	10[illegible]	1,489	1.2
Pennzoil	29½xd	-[illegible]	48⅛	28⅛	1,192	5.7
Quaker Oats	37⅛	-¼	40[illegible]	24⅞	2,839	2.6
Rockwell	15⅛xd	—	17⅜	12⅛	3,451	3.5
Rep NY	23½	+[illegible]	27[illegible]	16½	1,222	2.4
Sears, Roebuck	22¾xd	-⅛	25[illegible]	12[illegible]	7,828	4.9
Sthwestern Bell	34⅛xd	-⅛	35⅞	25⅝	10,231	4.7
Sun Co	15[illegible]xd	-[illegible]	20¼	14⅛	1,658	6.6
Tenneco	20xd	—	27⅛	14⅞	2,449	4.5
Texaco	33⅝xd	-1⅛	48½	23[illegible]	8,691	5.4
Texas Instr	19⅜xd	-[illegible]	26⅛	14½	1,587	0.6
Time Warner	49[illegible]xd	-1[illegible]	64½	37⅞	4,511	1.1
TRINOVA	12½xd	-[illegible]	16⅜	8[illegible]	352.6	3.1
♥Unitab	509p	—	555p	250p	472.8	–
Utd Tech	27⅝xd	-⅝	31½	22⅝	3,360	3.7
♥Utiltech	86p	—	92p	42p	–	–
US West	20¾	+½	23	18¼	8,477	5.6
Varity	851p	-12	1416p	578p	212.4	–
Waste Manage	25xd	-⅜	25⅞	16⅝	11,019	1.0
Whirlpool	2364p	+31	2458p	1053p	1,843	2.6
♥Woolworth	18½	+[illegible]	28[illegible]	12¾	2,152	3.7

CANADIANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
♥Abbot Energy	1[illegible]p	+¼	11p	1¾p	–	–
Amer Barrick	1586p	+20	1642p	953p	2,858	0.3
Bk Montreal	21¼	—	23¾	13	2,536	5.4
Bk Nova Scot	1031pxd	+15	1178p	536p	2,072	4.5
♥BC Gas	838p	+2	870p	639p	–	3.9
BCE	23⅛	+¼	24½	17¼	7,158	6.7
♥Brascan	924p	+7	1058p	647p	782.0	6.1
♥Breakwater	11⅜p	+⅝	38p	6p	7.23	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

Notes	Price	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
Ramus	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Redland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Roskel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rugby	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Russell (A)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sandell	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
St Gobain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sharpe & F	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shaw (A)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sheffield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spring R	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stamun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Steetley	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tilon	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Travis Pe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tudor	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ward Grou	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wickes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wlsh.w.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wolseley	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Worcester	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MISCELLANEOUS - Cont.

OIL & GAS - Cont.

Notes	Price	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
Oliver Res.	4	—	12½	4	3.59	—	—
Pan Pacific Petm	4¾	—	5⅝	2	—	—	—
Petrofina BFr	£184¼	-½	£201	£152⅝	4,147	5.2	10.7
Pict Petm	74	—	*118	73	38.2	—	6.0
Pittencrieff †	214	-2	229	78	49.6	2.8	16.3
Premier Cons	29½	+1½	58	23	147.7	—	12.4
Presidio A $	102	—	309	100	49.8	2.9	—
Ramco	72	—	78	45	12.1	3.7	26.7
Ranger C$	368	+5	493	313	356.7	1.3	—
Richmond	9	—	75	7	3.19	—	—
Royal Dutch Fl †	£45⅝	-¼	£49⅛	[illegible]	24,324	5.2	10.9
Santos A$ h	119	—	172	111	553.7	6.4	7.1
Sceptre	64½	+½	202	54	—	—	—
Schlumberger $	£31⅝	+⅝	£42⅝	£29⅛	7,586	2.1	—
Shell Trans †	480	-4	546	419	15,912	5.6	12.1
7pc Pf	64	—	68½	58	6.40	10.2	—
Sidlaw	258	-1	288	126	88.8	4.7	14.5
Teredo Petm	15	—	34	13	4.67	—	—
Texaco 8pc Cv	£117½	—	£138	£115	1,456	6.8	—
Total B FFr	£104⅝	-3¼	£112⅝	£57	4,359	3.4	8.0
Trident Petm	3	-½	13	2½	0.86	—	—
Triton Europe s	64	—	114	62	52.8	2.3	11.6
Tullow	15½	—	18½	8	23.7	—	—
Tuskar IE	3½	-½	14½	3	9.19	—	—
Utd. Energy	34	—	62	21	4.24	—	—
Do. Warrants	22	—	31½	10½	9.43	—	—
Ultramar	297	+1	358	233	1,884	4.9	20.9

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

MEDIA

OTHER FINANCIAL

PROPERTY

TELEPHONE NETWORKS

TEXTILES

MOTORS

TRANSPORT

WATER

MERCHANT BANKS

OIL & GAS

OTHER INDUSTRIAL MATERIALS

SOUTH AFRICANS

METALS & METAL FORMING

PLANTATIONS

STORES

MINES

PACKAGING, PAPER & PRINTING

MISCELLANEOUS

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	226.7	229.7	244.3	+0.3	6.42
(Accum Units)	5	367.8	372.7	396.4	+0.6	6.42
UK Growth	5	285.2	288.5	306.9	+0.7	4.42
(Accum Units)	5	344.3	348.4	370.6	+0.9	4.42
Int. Equity Gth ♣	5	47.79	47.97	51.03	+0.05	1.13
Intl Bond	5	54.53	54.53	57.25	-0.11	7.71
Special Sits Gwth	5	15.47	16.01	17.03	+0.01	3.79
North American Gwth	5	69.72	69.99	74.45	-0.54	1.03
European Growth ♣	6	49.62	49.83	53.01	-0.14	1.53

NW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
NW Joint Investors	0	1072.5	1072.5	1099.1	..	10.40

Maiden Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maiden General	0	105.6	105.6xd	108.7	..	5.35

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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Funds in Court*

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management

J. Rothschild Fund Managers Ltd

Societe Generale Touche Remnant UT Mngt

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

For Touche Rem see Societe Gen Touche Rem

OTHER UK UNIT TRUSTS

INSURANCES

Abbey Life Assurance Co Ltd

Avesta Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

AEtna Life Assurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Assurance

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Consolidated Life Assurance Co Ltd

Cornhill Insurance PLC

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Excelsior Life Assurance Company Ltd

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Legal & General—Contd.

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

Manulife Group

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

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N & P Life Assurance Ltd
6-7 Bedford Row, London WC1R 4BJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	110.1	115.9	—	–
Pension Managed Fd	108.6	114.3	—	–
Life Deposit Fd	112.2	118.1	—	–
Pension Deposit Fd	119.6	125.9	—	–

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	173.1	182.3	—	–
UK Equity	182.4	192.0	—	–
Overseas Equity	140.0	147.4	—	–
Fixed Interest	160.9	169.4	—	–
Property	131.2	138.2	—	–
Index Linked	154.4	162.6	—	–
Deposit	167.2	176.0	—	–
With Profits (B)	136.7	144.0	—	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	356.6	375.4	+0.1	–
UK Equity	447.7	471.3	+0.9	–
Overseas Eq.	341.2	359.2	-1.3	–
American	297.0	312.7	-0.9	–
Far East	351.0	369.5	+2.0	–
Property	194.8	205.1	-0.1	–
Fixed Int.	278.9	293.6	+0.2	–
Indexed Gilt	163.9	172.6	+0.1	–
Deposit	190.7	200.8	—	–
With Profit	106.9	112.6	+0.1	–
Pension Fund (Accum Units)				
Managed	515.3	542.5	—	–
UK Equity	602.4	634.2	+0.3	–
Overseas Eq.	582.6	613.3	-0.2	–
American	387.1	407.5	-3.5	–
Far East	583.9	614.7	+4.5	–
Property	249.7	262.9	-0.1	–
Fixed Int.	349.8	368.3	+0.1	–
Indexed Gilt	178.6	188.1	+0.1	–

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc.	217.7	229.7	+0.6	–
UK Fixed Int Acc.	196.7	207.5	—	–
Intl Equities Acc.	178.5	188.3	-0.2	–
UK Managed Acc.	172.2	181.6	+0.2	–
Property Acc.	225.6	238.0	—	–
Money Acc.	135.4	142.9	+0.1	–
Special Market Acc.	156.3	164.9	-0.6	–
Japan Equity Acc.	92.9	98.0	+0.8	–
North American Acc.	109.3	115.3	-1.0	–
Pacific Acc.	94.1	99.3	+0.7	–
Technology Acc.	140.3	148.0	-3.6	–
Nat Resources Acc.	55.3	58.4	-0.6	–
European Acc.	102.1	107.8	-0.7	–
Residential Prop Acc.	85.0	89.7	—	–
Swiss Equities Acc.	33.4	35.3	-0.2	–
Hong Kong Acc.	72.5	76.5	+0.5	–
UK High Inc Eq Acc.	69.8	73.7	+0.3	–
Int Fixed Interest Acc.	61.8	65.2	-0.1	–
Int. Managed Acc.	57.7	60.8	-0.1	–
HIP Managed Acc.	118.7	125.2	—	–
HIP Managed II Acc.	104.7	110.4	—	–
HIP Managed III Acc.	112.4	118.5	—	–
Total Investment Bond				
UK Equity Initial		147.3	+0.3	–
UK Fixed Int Initial		133.3	—	–
Intl Equities Initial		120.1	-0.1	–
UK Managed Initial		116.7	+0.1	–
Property Initial		154.0	—	–
Money Initial		92.2	—	–
Special Market Initial		120.8	-0.5	–
Japan Equity Initial		71.8	+0.6	–
North American Initial		84.4	-0.8	–
Pacific Initial		72.8	+0.6	–
Technology Initial		108.4	-2.7	–
Nat Resources Initial		42.8	-0.4	–
European Initial		91.1	-0.7	–
Residential Prop Init.		80.8	—	–
Swiss Equities Initial		31.8	-0.2	–
Hong Kong Initial		69.0	+0.6	–
UK High Inc Eq Init.		66.3	+0.2	–
Int Fixed Interest Init.		59.6	—	–

Royal Heritage Life Assurance Ltd – Contd.

Knight Williams & Company Ltd – Contd.

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

Macartney & Bowie Invest Mngt Plc

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rebounds on rate hopes

The dollar rebounded on the foreign exchange markets yesterday despite a further batch of poor economic figures, recovering the ground lost on Wednesday as buyers stepped in, *writes Simon London*. During late trading in New York on Wednesday and overnight in the Far East, the dollar regained of the losses seen in Europe. The US currency rallied to a high of DM1.6103 and Y125.95 in Tokyo, above the New York closing levels of DM1.6020 and Y125.75.

Analysts pointed to statements by Mr Alan Greenspan, US Federal Reserve chairman, which were interpreted as meaning that another cut in interest rates is unlikely.

The new optimism over rates inspired by Mr Greenspan's comments was briefly dispelled by the release of economic indicators underlining the weakness of the US economy.

Durable goods orders during December were down a full 5 per cent on the previous month, following a 1 per cent rise in November. Excluding defence contracts, the position was worse still, with orders down 8.9 per cent on the month.

Further gloom came from jobless claims figures for the week ended January 18, which showed an increase of 464,000 from 440,000 in the previous week.

The US currency dipped to a low of DM1.5975 shortly after the figures were released but met with support at this level as buyers came into the market and traders moved to cover short positions.

The dollar closed in London at DM1.6210, up a full three pfennigs from Wednesday's close of DM1.5900.

Against the yen, the US currency was more stable, with the threat of intervention by the US and Japanese authorities capping it below Y126 for most of the day. The dollar closed at Y126.00 in London, having traded in a Y125.20 to Y126.00 range through the day.

The D-Mark lost ground against the yen as well as the dollar, closing at Y77.75 from Y78.95 on Wednesday, loosing most of the gains made this week. Analysts said that sentiment was weak ahead of today's announcement of the result of a strike ballot by steel workers.

Against this, Mr Johan Wilhelm Gaddum, a Bundesbank board member, echoed statements from other central bank officials this week by saying that it was too early to expect a cut in German interest rates.

Within the European exchange rate mechanism, the peseta remained the strongest currency and advanced against the D-Mark, breaking decisively through the Pta63.00 barrier. The Spanish currency closed the day at Pta62.88 against the German unit.

This pushed sterling's floor within the system, determined by its maximum permitted divergence from the strongest currency, close to DM2.8700. The UK currency responded with a firm tone, trading over DM2.8750 for most of the day and closing in London at DM2.8775, from DM2.8725 on Wednesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.579	-3.78	5.94	65
Belgian Franc	42.4032	42.0876	-0.74	2.70	37
Dutch Guilder	2.31643	2.30102	-0.67	2.62	34
D-Mark	2.05586	2.04351	-0.60	2.55	40
Italian Lira	1538.24	1535.37	-0.19	2.13	10
Irish Punt	0.767417	0.766614	-0.10	2.04	6
French Franc	6.89509	6.96233	0.98	0.95	-52
Danish Krone	7.84195	7.92162	1.02	0.91	-45
Sterling	0.696904	0.710394	1.94	0.00	-38

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

*Floating rate. Iran Official rate £116.8 $65.2

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Jan 30	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.774	2.877	223.5	9.807	2.557	3.237	2163	2.092	59.00	1.404
$	0.564	1	1.622	126.0	5.528	1.441	1.825	1219	1.179	33.26	0.791
DM	0.348	0.617	1	77.69	3.409	0.889	1.125	751.8	0.727	20.51	0.488
YEN	4.474	7.937	12.87	1000.	43.88	11.44	14.48	9678	9.360	264.0	6.282
F Fr.	1.020	1.809	2.934	227.9	10.	2.607	3.301	2206	2.133	60.16	1.432
S Fr.	0.391	0.694	1.125	87.41	3.835	1	1.266	845.9	0.818	23.07	0.549
N Fl.	0.309	0.548	0.889	69.05	3.030	0.790	1	668.2	0.646	18.23	0.434
Lira	0.462	0.820	1.330	103.3	4.534	1.182	1.497	1000.	0.967	27.28	0.649
C$	0.478	0.848	1.375	106.8	4.688	1.222	1.547	1034	1	28.20	0.671
B Fr.	1.695	3.007	4.876	378.8	16.62	4.334	5.486	3666	3.546	100.	2.380
Ecu	0.712	1.264	2.049	159.2	6.985	1.821	2.306	1541	1.490	42.02	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

BASE LENDING RATES

MONEY MARKETS

UK market tighter

The UK money market faced a substantial liquidity shortage yesterday following easier conditions earlier this week, *writes Simon London.*

The Bank of England forecast a liquidity shortage of £950m early in the session, revised up to £1.1m later. The main factor was maturing treasury bills and assistance, draining £758m from the market. Exchequer transactions resulted in a small net addition of funds, underlining that the tax payments which drained funds earlier in the month have now subsided.

Faced with a larger shortage than in recent days, market participants moved early for funding and the Bank of England was able to inject £668m in early assistance.

This was mostly made up of £650m paper purchased for resale to the market on February 12 and 13 at 10 1/16 per cent. This added to the £1.2bn paper already due for repurchase on these dates, storing up the potential for tight market conditions around the middle of next month.

Afternoon assistance comprised the purchase of £40m band 1 and band 2 bills at 10⅝ per cent. Late assistance was £210m, bringing the total liquidity injection for the day to £918m, around £200m less than the forecast shortage.

The unsecured overnight money rate was steady at below 11 per cent for most of the day, climbing slightly above this level in early afternoon before settling back to close at 10 11/16 - 9/16 per cent.

Longer rates were little changed. Three month interbank funds traded at 10¾ - ⅝ per cent, just up on the 10⅝ - ½ per cent seen on Wednesday; one month interbank money was 10¾ - ⅝ per cent.

The March short sterling contract on the London International Financial Futures Exchange closed down on the day at 89.73, implying base lending rates of 10.27 per cent by the Spring.

In Frankfurt, call money rates moved higher again, continuing the trend which has prevailed all week. Call money traded up to 9.65/75 per cent from 9.60/70 per cent on Wednesday.

Analysts said that the squeeze was due to financial institutions moving to bolster reserves to meet month-end requirements.

Borrowings by financial institutions at the Lombard rate, at 9.75 per cent the Bundesbank's emergency funding rate, rose to DM2.1bn from DM700m on Tuesday.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,761 Set by VIXEN

ACROSS

1 Opposing a snappy follow-up (6)
4 The cause of ill-feeling all round (8)
10 Fancy a little drink? Then sit still (7)
11 A mean individual - and aging badly by the way (7)
12 No very good place of seclusion (4)
13 Saw nothing questionable in a diplomatic centre (10)
15 The man taking avoiding action, a woman turned colour (6)
16 The runner sounds less refined (7)
20 Laid out money without hesitation for a glider (7)
21 All out industrial action (6)
24 Next and tailor-made - it makes such a difference! (10)
26 Left one wanting company (4)
28 Poles in a corner arranging transfer (7)
29 Recipes used should be exact (7)
30 Cheated out of present, was undecided how to act (8)
31 A flutter about a fifties art-form (6)

DOWN

1 Sends tea - blends as agreed (5)
2 Discount housing for a ne'er-do-well (9)
3 Mark tops up (4)
5 The page with articles about building in Rome (8)
6 Base of French groups, note (10)
7 Involved seeing a quarter in the flesh (5)
8 Yielding, partially reduce din going on (8)
9 The girl a guy embraces for example (5)
14 Set a new price for crop - with approval (10)
17 Some leader given aid to rile rebels (9)
18 Favoured standing, making a case for it (8)
19 Deferential as always in the break (8)
22 Dashed in front of policemen? That's rotten! (6)
23 Small firms set about work making pens (5)
25 Doctrine which might well appear retrogressive (5)
27 A great star, though plain (4)

Solution to Puzzle No.7,760

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jan 29	Jan 28	Jan 27	Jan 24	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	3224.96	3272.14	3240.61	3232.78	3272.14 (28/1)	3172.41 (2/1)	3272.14 (28/1/92)	41.22 (2/7/32)
Home Bonds	99.43	99.56	99.43	99.52	99.61 (17/1)	98.96 (2/1)	99.61 (17/1/92)	54.99 (1/10/81)
Transport	1348.65	1356.32	1356.32	1362.29	1445.81 (16/1)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.13	213.51	213.45	214.07	225.59 (3/1)	211.82 (17/1)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 3313.51 (3298.30) Low 3204.16 (3230.99)

STANDARD AND POOR'S	Jan 29	Jan 28	Jan 27	Jan 24	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	410.34	414.96	414.99	415.48	420.77 (15/1)	410.34 (29/1)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	486.47	492.48	492.51	492.86	499.27 (15/1)	486.47 (29/1)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.09	34.54	34.49	34.53	35.14 (15/1)	33.82 (21/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	226.64	228.95	228.94	229.72	231.85 (15/1)	226.64 (29/1)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	409.64	412.71	412.48	413.42	415.33 (20/1)	395.51 (2/1)	415.33 (20/1/92)	29.31 (9/12/72)
NASDAQ Composite	616.31	621.29	621.00	624.68	630.82 (15/1)	586.45 (2/1)	630.82 (15/1/92)	54.87 (31/10/72)

	Jan 24	Jan 17	Jan 10	year ago (approx.)
Dow Industrial Div. Yield	2.87	2.83	2.89	3.88

	Jan 22	Jan 15	Jan 8	year ago (approx.)
S & P Industrial div. yield	2.53	2.52	2.54	3.30
S & P Indl. P/E ratio	25.60	25.76	25.51	16.03

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Margaretl	4,841,300	20¼	...
Amer Express	4,386,500	21½	- 1
RJR Nabisco	3,393,900	10⅛	- ⅛
Glaxo	3,323,200	30	- ⅞
Citicorp	3,110,300	15⅛	- ⅜
Philip Morris	3,042,800	75¾	- ½
Compaq	2,900,400	29½	- 3¼
Bristol Myers	2,806,200	79¾	- ⅞
Am T & T	2,593,200	37⅛	- ⅛
Boeing	2,523,400	51	- 2⅝

TRADING ACTIVITY

† Volume (Millions)	Jan 29	Jan 28	Jan 27
New York SE	248.900	217 070	190.430
Amex	20 912	19.336	18.016
NASDAQ	248.238	230.959	196.446
NYSE			
Issues Traded	2,202	2,199	2,185
Rises	650	881	884
Falls	1,042	813	835
Unchanged	510	505	466
New Highs	123	121	109
New Lows	7	9	8

CANADA

TORONTO	Jan 29	Jan 28	Jan 27	Jan 24	1992 HIGH	1992 LOW
Metals & Minerals	3078.97	3140.55	3162.15	3136.31	3238.87 (16/1)	2935.22 (2/1)
Composite	3598.61	3623.25	3628.50	3630.80	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1888.35	1903.47	1907.35	1908.90	1937.59 (16/1)	1856.55 (2/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 30	Jan 29	Jan 28	Jan 27	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1612.5	1622.1	1625.9	(c)	1675.6 (15/1)	1612.5 (30/1)
All Mining (1/1/80)	683.6	685.8	686.3	(c)	703.5 (20/1)	660.3 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	416.44	413.59	413.96	407.29	416.44 (30/1)	372.24 (2/1)
BELGIUM						
BEL20 (1/1/91)	1176.49	1181.80	1183.78	1183.30	1183.78 (28/1)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	360.96	361.40	362.63	361.50	365.29 (15/1)	354.37 (2/1)
FINLAND						
HEX General (28/12/90)	884.9	884.6	887.1	873.9	894.5 (16/1)	779.0 (2/1)
FRANCE						
CAC General (31/12/82)	502.28	508.41	503.98	503.98	508.41 (29/1)	475.53 (2/1)
CAC 40 (31/12/87)	1873.94	1879.64	1890.60	1869.27	1890.60 (28/1)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	679.34	680.93	682.58	684.70	687.20 (21/1)	643.26 (8/1)
Commerzbank (1/12/53)	1923.8	1927.5	1931.1	1936.4	1943.5 (21/1)	1813.8 (8/1)
DAX (30/12/87)	1680.91	1672.40	1683.08	1683.58	1685.29 (21/1)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4571.47	4571.13	4586.33	4554.73	4625.84 (23/1)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1452.73	1454.43	1452.10	1448.47	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	537.81	545.07	545.31	547.68	551.03 (16/1)	507.43 (2/1)
JAPAN						
Nikkei (16/5/49)	21557.67	21362.26	21390.52	21007.11	23801.18 (6/1)	20858.30 (21/1)
Tokyo SE (Topix) (4/1/68)	1598.35	1584.73	1583.47	1574.47	1763.43 (6/1)	1569.43 (21/1)
2nd Section (4/1/68)	2319.90	2290.16	2283.71	2289.59	2459.85 (6/1)	2283.71 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	568.75	573.28	569.84	570.55	573.28 (29/1)	546.63 (14/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	286.4	286.7	288.4	288.5	289.1 (21/1)	274.0 (8/1)
CBS All Shr (End 1983)	201.1	201.4	202.6	202.6	203.0 (21/1)	192.4 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	715.71	712.52	722.81	727.21	748.03 (17/1)	678.99 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1231.03	1242.04	1230.59	1268.20	1303.30 (17/1)	1172.78 (2/1)
SINGAPORE						
SES All-Singapore (2/4/75)	412.32	413.88	414.92	416.13	416.99 (21/1)	401.19 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1276.0&	1274.0	1258.0	1273.0	1327.0 (21/1)	1139.0 (2/1)
JSE Industrial (28/9/78)	4423.0&	4422.0	4426.0	4428.0	4535.0 (15/1)	4169.0 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	644.13	659.28	665.96	675.11	675.11 (27/1)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	253.80	253.87	255.06	253.43	258.58 (15/1)	238.93 (2/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	967.5	973.7	983.3	987.3	989.2 (20/1)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	772.7	773.4	779.6	779.4	779.8 (15/1)	748.5 (8/1)
SBC General (1/4/87)	624.7	625.5	631.7	631.7	631.7 (27/1)	601.1 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	5391.63	5390.05	5312.67	5341.49	5391.63 (30/1)	4692.17 (6/1)
THAILAND						
Bangkok SET (30/4/75)	764.70	768.57	766.73	771.93	781.63 (24/1)	711.81 (3/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	522.4*	522.1	522.7	521.8	542.1 (7/1)	520.1 (13/1)

** Saturday January 25: Taiwan Weighted Price: 5298.99; Korea Comp Ex. 664.29. *Calculated at 15.00 GMT. & Subject to official recalculation
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 30 January 1992

	Stocks Traded	Closing Prices	Change on day
Toyota Motor	8.2m	1,410	-20
Sumitomo Chem	6.6m	440	+6
Tobu Rail	4.8m	765	+1
Bank of Tokyo	3.3m	1,380	+10
Showa High	3.3m	1,100	+104
Tonen	3.3m	1,400	+10
Meiji Seika	3.3m	840	-5
Nippon Steel	3.2m	352	+2
Keihin Express	3.1m	812	+22
Mitsubishi Heavy	2.8m	638	+4

3:00 pm prices January 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31½	26½	Utilco2.44	2.44	8.4		8	30	30	29	-1
28⅝	28¼	UtiliCorp	1.60	5.6	13	220	28¾	28½	28⅝	

- V -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
42⅜	38⅛	VF Corp	1.08	2.7	23	404	40	39⅝	39⅞	
[illegible]	[illegible]	VMS Mtge F			0	51	[illegible]	[illegible]	[illegible]	
32⅞	28⅛	Valero En	0.34	1.1		2511	29¾	d27⅞	29¾	+1⅝
11¼	9⅝	ValeroNGas	2.50	23.2	5	537	10⅞	10⅝	10¾	+⅛
7	5⅝	Valhi Inc	0.20	3.3	19	125	6¼	6⅛	6⅛	-⅛
½	0.24	Valley Ind				6z100	[illegible]	[illegible]	[illegible]	
19⅛	12⅞	Van Dorn	0.60	3.3	[illegible]	268	18¼	18	18	-⅛
7¼	6⅞	VanKamp Hi	0.84	11.6		327	u7¼	7⅛	7⅛	-⅛
8¼	7½	VanKampMer	0.96	12.0		39	8⅛	8	8	-⅛
11⅜	10⅞	VanKampMuM	0.80	7.2		54	11¼	11⅛	11⅛	-⅛
7	4⅞	Varco Intl			13	450	6⅝	6⅛	6⅝	+⅛
40	34½	Varian Ass	0.32	0.9	13	1218	36½	35⅝	35¾	-¾
15	12¼	Varity 1.3	1.30	9.0		204	14⅝	14⅛	14⅛	+⅛
16⅛	12⅛	Varity Cp			8	112	15½	15⅛	15½	+¼
15⅛	14⅝	Vestaur	1.20	8.0	1	51	u15⅛	14⅞	15	
66	65	VirE&P5.00	5.00	7.7		z100	65	d65	65	
20⅜	16¼	Vishay Int			12	461	u20⅞	20½	20⅝	
12¼	9½	Vista Res			42	31	12⅝	12	12⅝	+⅜
38¾	31⅜	Vivra Inc			25	505	31½	d30⅝	30¾	-1⅛
72¼	61¾	Vodafone				258	62¾	62¼	62⅜	+⅝
3¼	2⅝	Volunteer				16z100	2⅞	2⅞	3	+⅛
27⅝	23⅛	Von Cos			16	91	25⅝	25½	26½	-⅛
30	26⅛	Vornado	1.68	5.6	31	10	u30	30	30	
40¼	36	Vulcan Mat	1.20	3.0	28	93	39⅞	39½	39⅞	+⅛

- W -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
41⅜	26⅛	WMS Indust			22	1445	36⅞	34¼	35½	-⅛
33	30⅛	WPL Holds x	1.88	6.1	13	109	30⅞	d30¼	30⅛	-⅝
20¼	16⅝	Waban Inc			25	885	19⅞	18⅝	19⅞	+⅜
62	56⅝	Wachovia x	2.00	3.4	21	255	58⅞	58⅜	58½	-⅛
31½	27	Wackenhut x	0.60	2.0	15	32	31⅛	30¾	30¾	-¼
5¼	4⅛	Wainoco			3	157	4¼	d4⅛	4⅛	
39⅜	36½	Walgreen x	0.52	1.4	23	669	37⅞	37¼	37⅞	+½
25⅝	23⅛	WallaceGS x	0.54	2.2	15	223	24¾	23⅞	24¾	+⅝
59⅞	53½	WalMart	0.17	0.3	42	9431	55⅛	54¼	54⅛	-⅛
10⅞	9¼	WarnerComp			41	57	9⅞	9⅝	9⅞	+⅛
79¼	70	WarnerLamb	1.76	2.5	17	4547	70⅝	d69¾	70⅛	-¾
34½	31½	Washgt G&L	2.10	6.4	14	110	33	32¾	32⅞	
19¼	15⅞	WashgtNat	1.08	5.7	8	20	19⅛	19	19	-⅛
210½	192½	WashgtPstB x	4.20	2.1	20	56	199¾	196½	199½	-1½
46	41½	Waste Man	0.44	1.0	28	4089	45¼	44⅜	44⅞	

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
71⅞	65½	Xerox	3.00	4.0	13	7503	u74⅞	71½	74⅛	+4
53⅜	50½	Xerox4 125				5	52½	52½	53¼	
26	24⅞	Xtra 1.94				406	u26½	25½	26⅛	+½
31⅞	28½	Xtra Corp	0.72	2.2	16	487	u32½	31½	32½	+1⅛
27	25¼	Yankee Egy	1.60	6.1	13	20	26⅜	26⅛	26⅛	
[illegible]	½	Zapata			87	159	⅞	[illegible]	⅞	
9⅞	7¼	ZenithElec			3	862	9⅛	8⅝	8⅞	-¼
16⅞	15¾	Zenith Nat x	1.00	6.2	133	16	16	16	16	
6⅝	6	Zenix Inc x	0.84	12.9		102	6½	6½	6½	-⅛
12¼	11⅛	Zero Corp	0.40	3.4	18	63	11⅞	11⅞	11⅞	
38	35⅜	Zurn Ind x	0.88	2.4	16	154	36¼	36	36⅛	-⅛
14⅛	13½	Zweig Fund	1.16	8.6		192	13⅝	d13½	13⅝	+⅛
11	10⅝	Zweig Totl	0.96	8.9		411	10¾	d10⅝	10¾	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices January 30

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices January 30

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		26	620	28	27¼	27¼	-¾
Xoma Corp		13	4387	24	23	23¾	+½
Yellow Fr	0.94	20	1456	28⅝	27¼	28¼	
York Rsch		58	1019	7⅛	6¾	7	+⅛
ZionsUtah	1.44	9	693	u46¼	44½	44½	

FINANCIAL TIMES

Friday January 31 1992

AMERICA

Dow takes time to digest Fed chairman's statement

Wall Street

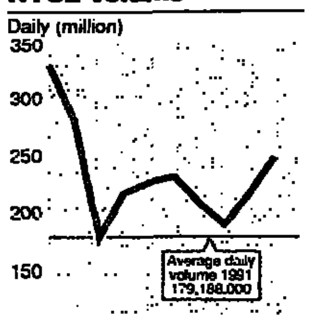
SHARE prices firmed slightly on US markets yesterday morning as investors continued to digest the implications of President Bush's new budget package and comments about the state of the economy by the chairman of the Federal Reserve, *writes Patrick Harverson in New York.*

By noon the Dow Jones Industrial Average was up 6.26 at 3,231.22. The more broadly based Standard & Poor's 500 index was also slightly higher at midsession, up 0.33 at 410.67, while the Nasdaq composite of over-the-counter stocks firmed 2.55 to 618.86. NYSE noon turnover was 95m shares.

The sharp drop in prices on Wednesday was triggered by hints from Mr Alan Greenspan, the Fed chairman, that because the economy was steadily recovering, it was unlikely that fresh interest rate cuts would be needed to stimulate growth. Mr Greenspan did say, however, that policy would be eased if economic indicators suggested that further stimulus was required, and in light of yesterday's bad economic news – a bigger-than-expected fall in December durable goods orders and a 24,000 rise in weekly jobless claims – investors' hopes for more rate cuts were briefly revived.

Among individual issues, Dow Chemical rose $1⅝ to $54⅝ on news of a fourth quarter loss of $92m, incurred because of a one-off $370m charge to cover asset write-offs and write-downs related to a recent retrenchment in the company's operations. Investors were cheered by Dow's forecast of a return to profitability in 1992.

NYSE volume



Airline stocks were in the news. UAL rose $2¼ to $141½ after the company, as it had warned, announced its biggest ever quarterly loss, a $10.69 a share deficit for the final three months of 1991. UAL also revealed a $130m charge, and plans to cut capital spending by $2bn over the next three years.

Delta slipped $¾ to $68¼ after the now defunct Pan Am airline said that it would sue Delta over the failed reorganisation plan, which should have saved Pan Am but instead heralded the airline's final demise.

Kellog rose $2¼ to $57⅜ on the news that Merrill Lynch, the big broking house, had upgraded its long-term investment rating for the food company's stock to "very attractive", citing strong volume and margin prospects. The recovery in Kellog follows the sale on Wednesday by a Boston-based money manager of his entire 1.1m share stake.

On the over-the-counter market, Immunex jumped $3⅛ to $59¾ after entering an agreement with Bristol-Myers Squibb (up $¼ at $80) to develop and market cancer therapeutics.

Canada

TORONTO stocks regained their strength at midday after Wednesday's 24-point drop. The TSE-300 was up 10.29 to 3,608 in 17.75m shares.

Among active industrials BCE Inc was up C$¼ to C$49, Canadian Imperial Bank of Commerce up C$½ to C$33¼ and Noranda Forest was down C$¼ to C$8¾. SHL Systemhouse rose C$1¼ to C$12⅝ before slipping back to C$12⅛ after it said it had won a C$100m contract from the Nova Scotia government and Maritime Telegraph & Telephone.

European insurers show signs of recovery

But some analysts are at a loss to explain the recent bounce, says Richard Lapper

Strange things are happening to Europe's insurance stocks, which are showing signs of recovery after two years in the doldrums.

With profits depressed by fierce rate competition and steadily rising claims, the share prices of many major insurance companies performed sluggishly in 1990 and 1991, for the most part underperforming their respective markets, after strong growth in the 1980s, when the strength of their assets fuelled investor interest.

Yet in recent weeks insurance stocks have risen strongly, with Europe's biggest companies, from Generali in Italy to Guardian Royal Exchange in the UK, outperforming the market.

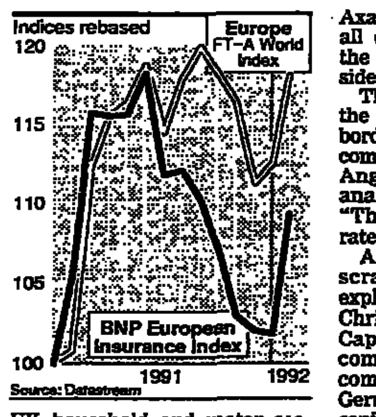
Figures produced by BNP Securities show the extent of the recent recovery. After a rise of just 1.6 per cent for the whole of last year, BNP's European insurance index – based on an index of 69 European insurance stocks – grew by 12.24 per cent from December 23, 1991 to January 30. This compared with a rise of 9.63 per cent for the FT-Actuaries Europe index over the same period.

The best rises came in Norway, which gained 28.82 per cent, and France with 27.98 per cent, against respective increases of 13.31 per cent and 15.1 per cent for the markets themselves.

Yet many of the sector's underlying problems are still there. The decline in property values has not only weakened balance sheets: in France, for example, it has also depressed profitability by reducing the scope for realised capital gains. Property sales have generated a significant share of the pre-tax profits of France's leading companies.

Declining real interest rates could benefit the asset position of those companies which hold sizeable portfolios of bonds but, conversely, this trend will cut investment income for non-life companies whose investment portfolios are heavily weighted in this direction.

Meanwhile, price competition is continuing to undermine underwriting profits in spite of rate increases – in the



UK household and motor sector last year and, more recently, promised in French and Italian motor rates.

In France a number of mutually owned companies have been winning market share hand over fist at the expense of their bigger rivals. France's three state-owned companies, Assurances Générales de France (AGF), Union des Assurances de Paris (UAP) and the Groupe des Assurances Nationales (Gan), along with Axa in the private sector, have all come under pressure from the mutuals, which enjoy considerable cost advantages.

The gradual opening up of the European market to cross-border trade is also increasing competition. According to Mr Angus Runciman, European analyst with BNP Securities: "The underlying trend (of rates) is still downwards."

All this leaves analysts scratching their heads to explain the recent bounce. Ms Christiane Marcellier of James Capel in Paris says French companies are undervalued compared to their Italian or German counterparts. Market capitalisation as a percentage of premiums is only around 0.6 for most French firms against 1.8 in Italy and Germany.

Ms Brigitte Cole of BZW in London points to the importance of a recent announcement by the French government that it is about to introduce legislation which will open up a private pensions market for the first time.

Life business already generates 40 per cent of the revenues of UAP, Axa and AGF. Gan, which generates 60 per cent of its business from life insurance, is especially well placed to take advantage of the new market opportunities. "We think that insurance share prices will outperform the market this year," says Ms Cole.

Mr Runciman is not so sure: "There is no reason why investors should jump in. The industry is not suddenly going to start making oodles of money."

In France, the government's intention to raise cash by reducing its stake in the three state-owned insurers (to 51 per cent from its current level of 75 per cent) is another cloud on the horizon.

Although the privatisation would normally lift market sentiment, the government is said to be at odds with the companies, which would prefer it to reduce its interest by, for example, issuing new shares for cash or by establishing cross-holdings in other European financial groups.

BNP expects the resulting tension to depress investor enthusiasm. It says the sale could create a potential overhang of FFr23.1bn.

EUROPE

German carmakers come into the limelight

CARMAKERS came more broadly into the limelight yesterday as the big German groups replaced Volvo as the centre of international investment attention, *writes Our Markets Staff.*

FRANKFURT majored on the motor industry as Volkswagen rose DM10 to DM338 and BMW by DM6 to DM523.50, VW and Daimler heading the active stocks list in turnover of DM888m, and DM864m.

German stock market turnover rose from DM6.4bn to DM6.6bn as blue chips led equities higher. After a 1.59 fall to 679.34 in the broadly-based FAZ index at midsession, the 30-share DAX closed 8.51 higher at 1,680.91.

Mr Bob Barber, who heads the European automotive and capital goods analysis team at James Capel, was not impressed with VW, noting that the company, which underperformed the market last year, faced an estimated drop of 12 per cent in new German car sales this year with 40 per cent of its own sales going into the domestic market.

BMW yesterday confirmed that its sales and profits were higher in 1991, and forecast higher production and sales figures for the current year.

In electricals, AEG had another of its sporadic surges, rising DM9.80 to DM224.20 and the battery group, Varta, rose DM11.50 to DM302. It said yesterday that final talks on a cooperation accord had begun with Japan's Toshiba Battery, and Duracell of the US on the production of rechargeable nickel hydride batteries.

PARIS came back from its highs after an active day's trading. The CAC-40 index slipped 5.70 to 1,873.94 in relatively heavy volume of FFr3.2bn.

Synthélabo, the pharmaceutical company controlled by L'Oréal, was unusually active as 92,700 shares or around 1 per cent of the company were put through the market in several large blocks. The stock fell FFr8 to FFr1,695. A spokesman for Goldman Sachs would only say that it had placed less than 5 per cent of the company yesterday.

Dealers believed that the shares had come from the owners of companies recently taken over by Synthélabo and had been placed with institutions.

Pernod Ricard, the drinks group, rose to an all-time high of FFr1,534 on continued takeover speculation before closing FFr10 down at FFr1,495 with a heavy 149,000 shares traded.

Paribas ended FFr7.50 lower at FFr347.50 with 217,866 shares traded. After the close the bank announced that it had made a net attributable loss of FFr200m in 1991, which came in below expectations which had already been downgraded after the recent disclosure of heavy provisions for loans to Maxwell companies.

MILAN weakened during the official session following the overnight loss on Wall Street. The Comit index fell 7.26 to 537.81 in turnover estimated at L100bn after Wednesday's L105.8bn.

Fiat fell L133 or 2.6 per cent to L5,028 in the wake of its poor 1991 results and slipped to L5,025 after hours.

The telecommunications sector came under pressure on Sip's planned launch of a bond issue linking a big bond with warrants into Sip savings shares and there were fears of heavy earnings dilution as a result. Stet slipped L13 to L2,261 while Sip savings shares fell L55 or 4 per cent to L1,320.

STOCKHOLM saw another fall in Volvo in the aftermath of the abortive Volvo/Procordia merger. The B shares fell SKr7 to SKr378 on the day and 10 per cent from Monday's intraday peak of SKr420.

The Affärsvärlden General index dropped 6.2 to 987.5 as brokers said that the market was also beginning to be troubled by the prospect of the Swedish corporate results season which begins next week. Market rumours indicate disappointing results from Electrolux, due to produce preliminary figures on next Tuesday. Yesterday the B shares slipped SKr3 to SKr239.

AMSTERDAM slipped back slightly, the CBS Tendency index shedding 0.1 to 121.00 in turnover of Fl 539.8m.

Elsevier, which announced a strong profit forecast, rose Fl 2.40 to Fl 105.40. UK interest was reported to be heavy. Elsewhere in the publishing sector VNU rose Fl 0.5 to Fl 83.00.

MADRID's general index fell 0.07 to 253.80. Asland, the cement group, which played down reports of possible US court action, drifted Pta40 to Pta2,065.

Volume in Iberdrola, the utility, was high at 2.7m shares: the share price picked up Pta2 to Pta723. Telefónica continued its fall on the back of the pension fund problems, losing Pta5 to Pta1,160.

OSLO gained in dull trading, the all-share index moving 1.5 to 445.00 in turnover of NKr217m. Saga B rose NKr4.5 to NKr95.5 on reports that the UK may lift a ban on imports of Norwegian gas.

FT-SE Eurotrack 100 - Jan 30

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1130.52	1130.91	1133.63	1135.73	1135.90	1132.86	1132.11	1131.87

Day's High 1136.67 Day's Low 1130.31

Jan 29	Jan 28	Jan 27	Jan 24	Jan 23
1132.65	1143.22	1142.52	1131.86	1131.98

Base value 1000 (26/10/90)

ASIA PACIFIC

Nikkei overcomes weak start as futures jump

Tokyo

THE NIKKEI average overcame a weak opening on arbitrage-related buying as well as small-lot buying by foreigners and individuals, *writes Emiko Terazono in Tokyo.*

The index closed 195.41 ahead at 21,557.67 after a day's low of 21,334.30 and high of 21,779.14. It lost ground at the start because of the overnight fall on Wall Street and lower bond prices, but strength in the futures market prompted arbitrage-related index buying.

Volume expanded to 250m shares from 180m, rising above 200m for the first time in five trading days. Traders attributed 50m of this to block cross-trading. Advances led declines by 704 to 266, with 151 issues unchanged. The Topix index of all first section stocks put on 13.62 to 1,598.35, and in London the ISE/Nikkei 50 index gained 2.96 to 1,229.97.

Traders said the premium over the cash market created by the jump in futures prices had activated arbitrage buying. "The wider spread between the futures and cash markets is a bullish sign," said a futures trader at County NatWest.

Interest among individual investors was noted. News that more than 100 people had turned up for a stock investment seminar at a branch of a leading Japanese brokerage house encouraged other investors. Mr Masami Okuma at UBS Phillips & Drew said: "Some individuals are attracted to the current low prices."

Individual investors chose earnings situations. Video game makers gained on projections of increased profits for the current year to March. Sega Enterprises moved ahead Y400 to Y13,300, and Nintendo Y700 to Y11,300 in Osaka.

Nippon Telegraph and Telephone ended Y3,000 up at Y683,000 on bargain hunting after briefly sinking to an all-time low of Y678,000.

Electrical engineering companies firmed on reports that electric power companies plan to expand capital spending next fiscal year. Yondenko added Y20 at Y1,290 and Chudenko Y150 at Y4,500.

Reports of rising orders for prefabricated apartments lifted housing issues. Taisei Prefab Construction climbed Y60 to Y2,310 and Daiwa House Industry Y30 to Y1,900.

Showa Highpolymer advanced by its daily limit of Y104 to Y1,100. The issue regained popularity as an environmental play, thanks to its biodegradable plastics.

In Osaka, the OSE average gained 292.51 to 23,062.21 in volume of 137.6m shares, the highest turnover for this year. Traders said the turnover reflected active cross-trading ahead of the March book closing in banking issues. The Bank of Tokyo, the most active issue of the day, declined Y30 to Y1,360.

Roundup

THE STEEP fall on Wall Street sent markets in the Pacific Rim region generally lower.

HONG KONG took comfort from stronger than expected Bank of East Asia results – 30 per cent profits growth to HK$504m from HK$387m previously – which pushed the stock up 20 cents to HK$25.20. The news helped to reduce early losses and the Hang Seng index ended just 0.34 off at 4,571.47.

Utility and property shares were the major movers: New World declined 30 cents to HK$13.10, but HK Telecom rose 10 cents to HK$7.85. Hongkong Land lost 10 cents to HK$10.10.

SEOUL rallied after two days of decline in active trading. The composite index gained 4.85 to 664.13 in turnover of Won328bn (Won363bn).

KUALA LUMPUR motor issues were hit by a rise in tax on four-wheel drive vehicles: UMW fell 36 cents to M$4.02 and Angkasa 30 cents to M$4.00. The composite index slipped 4.53 to 568.75. SINGAPORE was quiet and the Straits Times Industrial index receded 6.79 to 1,526.04.

BANGKOK finished mixed, with heavy trading in property and finance stocks. The SET index shed 3.87 to 764.70. Siam Cement, the second-largest quoted company, eased Bt4 to Bt628. There was news that Thai International Airways may be listed in April.

JAKARTA was active with the Jardine Fleming index rising 1.33 to 60.78. The banks sector remained strong.

TAIWAN gained slightly before closing for the Chinese new year. The weighted index firmed 1.58 to 5,391.63. The market reopens on February 7.

MANILA's composite index weakened 11.01 to 1,231.03, with the downward trend expected to last.

AUSTRALIA showed some recovery after a weak opening, the All Ordinaries index ending 9.6 down at 1,612.5, picking up from a 15-point fall. Volume came to 129.5m shares. ANZ, which announced a one-for-five rights issue on Wednesday, fell 6 cents to A$4.30. Westpac was off 8 cents at A$4.02 on a downgrading by Standard & Poor's, the US credit rating agency.

NEW ZEALAND fell for the third consecutive day, the NZSE-40 losing 12.16 to 1,456.39. Telecom rose a cent to NZ$2.37.

BOMBAY shot up to a record high for the sixth time this month, on relentless speculative buying. The BSE index leapt 85.55 to 2,299.77.

SOUTH AFRICA

A SHARPLY weaker financial rand lifted currency-linked shares but the rand's volatility made trading nervous. The all-gold index rose 2 to 1,276, and the industrial index 1 to 4,423. The all-share index improved, gaining 17 to 3,630.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 29 1992								TUESDAY JANUARY 28 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	143.95	−0.7	118.14	114.11	119.00	128.87	−0.2	4.29	144.90	119.65	115.04	120.27	129.15	160.31	112.74	124.22
Austria (20)	172.64	+1.3	141.68	136.85	142.71	142.52	+0.5	2.02	170.40	140.70	135.29	141.44	141.74	222.37	153.86	181.43
Belgium (46)	144.39	+0.6	118.50	114.45	119.36	116.44	−0.2	5.06	143.59	118.56	113.99	119.18	116.68	151.20	118.04	131.88
Canada (115)	138.22	−0.5	113.44	109.56	114.25	117.30	−0.6	3.14	138.93	114.72	110.30	115.31	118.00	144.28	126.49	128.00
Denmark (37)	265.24	+0.1	217.68	210.25	219.26	222.67	−0.3	1.61	265.01	218.83	210.40	219.96	223.38	273.94	217.74	238.70
Finland (15)	88.64	+1.5	72.74	70.26	73.27	80.44	+0.4	3.03	87.32	72.10	69.33	72.47	80.11	125.15	73.32	98.94
France (109)	152.95	+0.0	125.53	121.23	126.43	129.88	−0.5	3.41	152.91	126.26	121.39	126.90	130.60	152.95	119.11	135.29
Germany (65)	119.44	+0.2	98.03	94.69	98.73	98.73	−0.2	2.35	119.23	98.45	94.68	98.96	98.96	125.35	94.15	111.18
Hong Kong (55)	189.71	−0.2	155.70	150.38	156.83	189.03	−0.2	4.01	190.18	157.04	150.99	157.86	189.45	191.57	119.62	128.83
Ireland (16)	170.98	+1.1	140.32	135.53	141.33	143.66	+0.2	3.55	169.13	139.65	134.28	140.38	143.43	182.46	132.88	140.11
Italy (77)	78.78	+0.1	64.65	62.44	65.12	70.44	−0.1	3.27	78.72	65.00	62.50	65.34	70.49	88.23	64.76	74.43
Japan (473)	124.96	+0.2	102.56	99.06	103.31	99.06	+0.1	0.86	124.65	102.93	98.97	103.48	98.97	146.97	118.23	128.40
Malaysia (68)	225.16	+0.9	184.79	178.47	186.12	229.84	+0.2	2.85	223.12	184.24	177.14	185.19	229.27	247.78	189.18	204.86
Mexico (18)	1529.18	+0.7	1255.00	1212.14	1264.08	5121.11	+0.6	1.02	1517.81	1253.29	1205.05	1259.81	5090.49	1529.18	534.45	565.88
Netherland (31)	153.63	−0.2	126.08	121.78	127.00	125.51	−0.6	4.31	153.96	127.13	122.23	127.79	126.24	155.74	125.70	134.05
New Zealand (14)	45.39	−1.1	37.26	35.99	37.53	44.67	−0.9	6.15	45.89	37.90	36.44	38.09	45.07	54.64	41.18	44.54
Norway (25)	182.09	−1.4	149.44	144.34	150.53	154.29	−2.1	1.68	184.59	152.42	146.55	153.22	157.59	223.24	157.06	186.32
Singapore (38)	226.45	−0.4	185.85	179.50	187.19	170.31	−0.5	2.05	227.25	187.65	180.43	188.62	171.17	228.43	151.63	167.72
South Africa (61)	255.84	+0.0	209.97	202.79	211.48	180.98	−0.2	2.73	255.82	211.24	203.10	212.33	181.26	271.99	173.00	173.94
Spain (52)	156.33	+0.1	128.30	123.92	129.23	118.55	−0.6	4.67	156.25	129.02	124.06	129.69	119.26	171.12	131.51	149.15
Sweden (25)	184.01	−1.0	151.01	145.86	152.11	157.52	−1.4	2.84	185.86	153.47	147.57	154.27	159.72	204.12	146.60	180.47
Switzerland (59)	101.20	−0.8	83.05	80.22	83.66	88.93	−1.0	2.25	101.98	84.21	80.97	84.66	89.81	103.50	82.17	92.58
United Kingdom (234)	183.32	+0.3	150.45	145.30	151.53	150.45	−0.3	4.94	182.69	150.85	145.03	151.62	150.85	187.44	156.27	168.01
USA (523)	167.35	−1.1	137.35	132.66	138.35	167.35	−1.1	2.92	169.20	139.71	134.34	140.44	169.20	171.66	125.95	138.04
Europe (813)	148.30	+0.1	121.71	117.55	122.59	122.81	−0.4	3.92	148.10	122.29	117.58	122.93	123.26	151.52	125.50	136.01
Nordic (102)	185.27	−0.5	152.05	146.86	153.15	151.52	−0.9	2.14	186.14	153.70	147.78	154.50	152.93	200.81	155.55	176.06
Pacific Basin (717)	127.46	+0.2	104.61	101.04	105.37	102.51	+0.1	1.19	127.22	105.05	101.01	105.60	102.45	145.92	117.86	127.92
Euro – Pacific (1530)	136.08	+0.2	111.68	107.86	112.48	111.31	−0.1	2.38	135.86	112.18	107.86	112.76	111.45	147.66	121.29	131.56
North America (638)	165.49	−1.1	135.82	131.19	136.82	163.95	−1.1	2.93	167.26	138.11	132.81	138.85	165.72	169.69	125.91	137.34
Europe Ex. UK (579)	127.05	+0.0	104.27	100.73	105.05	106.75	−0.4	3.19	127.08	104.93	100.91	105.50	107.23	129.80	103.58	118.51
Pacific Ex. Japan (244)	152.12	−0.3	124.85	120.60	125.76	137.27	−0.2	3.89	152.60	126.01	121.17	126.67	137.56	153.49	111.40	121.52
World Ex. US (1724)	138.33	+0.1	113.53	109.66	114.36	113.47	−0.1	2.40	138.14	114.06	109.68	114.66	113.63	148.16	122.32	132.11
World Ex. UK (2013)	143.64	−0.4	117.88	113.86	118.75	128.03	−0.5	2.32	144.23	119.10	114.52	119.73	128.72	150.58	120.06	129.69
World Ex. So. Af. (2166)	146.37	−0.3	120.12	116.03	121.00	129.70	−0.5	2.80	146.85	121.27	116.61	121.91	129.95	150.36	120.60	130.81
World Ex. Japan (1774)	160.15	−0.6	131.44	126.96	132.41	147.85	−0.7	3.31	161.07	133.00	127.89	133.71	148.97	161.90	126.69	136.85
The World Index (2247)	147.09	−0.3	120.71	116.59	121.59	130.16	−0.5	2.80	147.58	121.85	117.17	122.50	130.82	153.70	121.28	133.09

Constituent change 30/1/92: Name change: General Lumber to Land & General Bhd. (Malaysia). Latest prices were unavailable for this edition.

FT LAW REPORTS

Cleaning delay puts ship off-hire

THE BERGE SUND
Queen's Bench Division (Commercial Court): Mr Justice Steyn: December 19 1991

A TIME-chartered ship is off-hire for a "cause preventing the efficient working of the ship" through no "fault" of the charterers, if she is not in an efficient state to provide the service expected of her in furtherance of the voyage, in that she is necessarily delayed by a misfortune risk due to an unascertainable cause for which neither charterers nor shipowners are to blame.

Mr Justice Steyn so held when dismissing an appeal by Sig Bergesen DY & Co and others, owners of Berge Sund, from a decision by arbitrators that charterers, Mobil Shipping and Transportation Co, were entitled to the return of hire paid under the charterparty.

HIS LORDSHIP said that Berge Sund was a tanker designed for the carriage of liquid petroleum gas.

By a time charterparty dated September 20 1979 the owners let her to charterers for 20 years.

The charterparty provided that the master, although in the owners' employ, "shall observe the orders of the charterers as regards employment of the vessel".

An off-hire clause provided that hire should cease for loss of time "not caused by charterers' fault... due to repairs, breakdown, accident or damage to the vessel, collision, standing, fire, interference by authorities or any other cause preventing the efficient working of the vessel".

For 10 months after delivery the vessel carried only cargoes of butane and propane, and did not have to be cleaned. In September 1983 she carried a contaminated cargo to Europe. During a ballast voyage to the Arabian Gulf, tank cleaning took place. The vessel reached Ras Tanura. On December 20 the charterers' surveyors found that two tanks were contaminated.

Further tank cleaning was ordered. On January 1 1983 their condition was satisfactory, but then there were problems with obtaining coolant and a cargo nomination, and the port was closed, so the vessel was unable to load until January 9 1983.

The arbitration dispute concerned the delay in loading.

The charterers said the vessel was off-hire and claimed back hire paid for that period.

Arbitrators found the vessel was off-hire from December 20 to January 9, and awarded $600,002.

They found that the delay at Ras Tanura arose because the vessel failed the standard copper corrosion test. They were unable to make a definite finding as to the cause of the failure. They identified three possible causes but found that neither owners nor charterers were to blame.

The owners appealed.

They submitted that "fault" in the context of the off-hire clause did not mean blameworthiness, but meant responsibility for an untoward occurrence.

Prima facie "fault" in a charterparty meant conscious wrongdoing or negligence. When parties had in mind strict or absolute liability there were well-known phrases such as "act, neglect or default".

It would be stretching the ordinary meaning to read fault in the off-hire clause as signifying less than blameworthiness. The owners' interpretation was rejected.

The charterers relied on "or any other cause preventing efficient working of the vessel" in the off-hire clause.

The objective of the off-hire clause was to relieve charterers of the obligation to pay hire when they did not have use of the vessel. It did not require that "off-hire events" should be attributable to owners' fault. The emphasis was on a pragmatic allocation of risk.

It was settled that "or any cause preventing the efficient working of the vessel" could not be construed *ejusdem generis* with the ill-assorted events previously mentioned in the clause.

The arbitrators said that the fact they did not ascribe the unreadiness to owners' negligence did not mean it fell outside "any other cause preventing the efficient working of the vessel". They decided there was an off-hire event within the meaning of the clause, and time was lost as a result.

They found that due to nobody's fault, cleaning unexpectedly became necessary. Reading the award as a whole they categorised the problem which arose at Ras Tanura as an accident or a misfortune risk.

Mr Moore-Bick for the owners submitted that the arbitrators applied the wrong test.

They found the vessel was not "in an efficient state to provide the service expected of her, namely loading".

He said the arbitrators erred in concentrating on the charterers' subjective wishes instead of on what was objectively needed to be done in furtherance of the voyage.

The court disagreed. The arbitrators posed exactly the right question.

It was then submitted that the service required of the vessel was not loading but cleaning.

Again the court disagreed. Objectively what was required in furtherance of the voyage was that loading should commence on December 20.

The owners submitted the charterers shipped dangerous cargo which caused the vessel to go off-hire, in breach of contract.

The arbitrators concluded the cargo was not dangerous. It merely required the vessel to be cleaned more thoroughly.

They were right. On the facts of the case the cargo was plainly not dangerous. That ground of appeal failed.

The owners relied on *The Rijn [1981] 2 Lloyd's Rep 267* in which an off-hire claim did not succeed. Mr Justice Mustill said with regard to "or any other cause", the only qualifying causes were those which were "fortuitous and not the natural result of the charterers' orders".

The owners said the delay was caused by natural consequences of the manner in which the charterers chose to employ the vessel.

The arbitrators distinguished *The Rijn* in which there was no element of fortuity from the present case where, they said, loss of time was not "the natural result of loading the cargo". They said there might have been any number of reasons why the vessel failed the copper strip corrosion test.

It was clear that the arbitrators regarded the problem that arose at Ras Tanura as wholly unexpected. It was not the natural result of use of the vessel. It was a misfortune risk.

The Rijn principle, whatever its precise limits might be, was inapplicable on the special facts of the case.

It was common ground that there was implied into the charterparty a charterers' undertaking to indemnify owners against the consequences of complying with their orders.

The undertaking was implied by law, because of the nature of the charterparty and the master's obligation to comply with charterers' orders.

It was submitted that if the vessel was off-hire, the owners were entitled to indemnity.

The arbitrators rejected the contention because first, they did not consider it appropriate to cut down specific provisions of the off-hire clause by reference to the more general terms of the implied indemnity; and second, the off-hire clause had the specific limitation that it was not to apply to loss of time caused by charterers' fault.

A term implied by law could only be excluded by contrary provision. In other words, it would only be excluded if inconsistent with express terms of the charterparty.

The arbitrators apparently thought the implication was inconsistent with the off-hire clause.

Inconsistency had not been established.

The implied indemnity was not limited to matters outside the scope of other clauses of the charterparty (*The Ann Stathatos (1950) 83 Ll R 228,234,235*). It might overlap with matters dealt with in other clauses. Such overlap did not necessarily involve inconsistency.

The implied term was left intact by the express terms of the off-hire clause.

However, the indemnity only extended to *direct* consequences of complying with the relevant orders (*Ann Stathatos*, 235-239).

There was no express finding that loss of time resulted directly from compliance with charterers' orders. It was not possible on the facts to infer that the problem at Ras Tanura was the direct consequence of their orders or of the loading of the cargo.

The appeal failed.

An application to remit the award on the ground that the arbitrators overlooked a substantial issue was refused. The court was satisfied that they did not overlook the issue.

For the shipowners: Martin Moore-Bick QC and D Matthews (Sinclair Roche & Temperley).

For the charterers: Stewart Boyd QC (Allen & Overy).

Rachel Davies
Barrister

RECRUITMENT

JOBS: Redundancy victim proposes sponsored market for unemployed to sell their skills

A challenge to give some practical help

"A bit of help is worth a lot of pity." The Jobs column had shamefully let those wise words slip from mind since first reading them from its Lancashire grandmother. But they've just been recalled by a challenge to act on them in a highly topical context.

The challenger is reader Peter Laurence, currently writing his dissertation for a master's degree in business administration at Warwick University, where I gather he is studying part-time. For he says that his choice of subject for the dissertation — "Recruitment in the recession" — has rebounded on him. Soon after he chose it, his employer made him redundant.

Which has focused his mind sharply on one particular aim of his studies: to find ways of re-harnessing the skills of capable people who've lost their jobs. The personnel chiefs he interviewed had various views on who could best help. Many, predictably, named the government. Several felt the unemployed could do a better job on their own behalf. But a lot also thought the media could play a more positive part.

Mr Laurence has therefore made a proposal. It is that the Financial Times should invite employers to join in sponsoring—say—half the cost of a regular space in our recruitment advertising pages, in which unemployed job-seekers could offer their services at a commensurately reduced price.

"Provided both sides of the recruitment fence responded," he says, "names could be selected at random once or twice a week as beneficiaries."

So what about it?

Well, I'm glad to say the FT's classified advertisement director Brian Powell shares my view that the idea is worth a try. Indeed, he says that if it comes off, he'll join in the sponsorship by giving the enterprise a special rate.

Even so, much preliminary work is still required. The next step of course is to test support from employers, and I'd be grateful to hear from any willing in principle to contribute some given sum to costs. Depending on the answers, we'd then have to decide the amount of space that could be provided, and how much of it to allow to each job-seeker at what price.

In other words, the last thing I need at the moment is any self-advertising copy. But never fear, as soon as I do, I'll make it known.

NOW to the table below which offers some partial answers, at least, to a question the Jobs column is often asked by people who've been offered a post abroad. It is: if I went to work in such and such a country, how much would it cost me to keep up the standard of living I have here at home?

As on previous occasions, the figures have been kindly supplied by the Employment Conditions Abroad consultancy, which acts as a trade association advising its 700 subscriber-organisations on pay, perks and suchlike in various parts of the world. Anyone wanting to know more about ECA's activities should contact Barry Rodin at 15 Britten St, London SW3 3TY; tel 071-351 7151, fax 071 351 9396.

The question of living-costs overseas is complicated because expatriates' spending patterns tend to vary not only with the country they have gone to, but with the one they came from in the first place. So the table takes executives from nine different home countries, and shows their typical annual outlays when working in each others' lands. They are in all cases doing the same kind of job at similar rank, characterised by the head of a function such as marketing in a company of medium size. Other currencies are expressed in sterling at the exchange rates prevailing in early December.

The first column of figures shows their typical gross salary in the native country. Then come the sums which, according to ECA's most recent surveys, the executives would have to fork out to maintain their habitual pattern of spending both at home and in the other eight lands.

Unfortunately, since expatriates' accommodation is often subsidised to varying degrees by their employer, no account is taken of housing costs. The figures cover only consumer goods and services, including durables, as well as the standard utilities.

Nationality of mid-rank manager*	Gross salary in homeland £	Cost of keeping up own home-country pattern of spending on consumer goods when in: United Kingdom £	United States £	Switzerland £	Netherlands £	Germany £	France £	Australia £	Singapore £	Hong Kong £
British	35,020	10,350	10,560	17,490	12,090	13,660	13,790	11,070	12,110	11,590
American	48,250	15,380	11,480	21,470	16,190	17,330	17,450	13,550	14,580	14,690
Swiss	65,460	13,040	11,850	17,390	13,210	15,130	14,980	12,170	13,740	13,220
Dutch	43,570	9,720	8,570	13,970	8,840	10,870	11,050	8,840	10,170	9,570
German	56,580	12,260	10,940	17,860	12,390	13,180	14,100	11,470	12,620	12,390
French	44,740	12,800	11,330	18,530	13,060	14,130	13,330	11,730	12,800	12,530
Australian	32,240	10,990	9,440	15,610	11,160	12,340	12,340	9,075	11,340	10,800
Singapore	38,620	16,620	14,500	25,100	17,100	18,400	18,890	15,090	11,790	14,500
Hong Kong	41,940	18,280	16,870	26,710	18,560	20,390	20,950	16,870	15,610	14,060

* Responsible for function such as marketing in medium-sized company.

FINALLY to a couple of jobs in the City of London offered by headhunter Theo Stegers of Recruitment Matters on behalf of separate banks, both European, which he may not identify. He therefore promises to abide by applicants' requests not to be named to his clients at this stage of the proceedings.

Both of the jobs are in the foreign-exchange field, the first being at the head of a sales and marketing team, ranked as at least assistant director. The bank in question has a high credit rating with strengths in FX, money markets and their option-based derivatives, the headhunter says. And while it is particularly keen to improve its corporate coverage in Britain, it would gladly consider other countries and market sectors.

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Mr Stegers's second offer is a strategic trading post specialising in high-yielding non-standard currencies, nowadays including those of former Soviet countries as well as Thai baht and the like. Somewhat unusually, however, the recruit will not only be striking deals with other traders, but also selling the bank's FX expertise to corporate customers such as large companies with holdings of the so-called exotic currencies that they wish to have exchanged.

Provided that candidates have thorough knowledge of markets for such currencies, they could either be traders seeking to add corporate sales experience to their armoury, or *vice versa*. Salary again up to £85,000, with similar perks.

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ACCOUNTANCY COLUMN

Tangible difficulties of measuring intangibles

By Andrew Jack

CHRISTMAS may be long gone, but another season of "goodwill" is only just beginning. The members of the Accounting Standards Board, who meet today to begin addressing the vexed questions of intangibles and goodwill, may well find themselves surfeited as the debate progresses.

Goodwill is defined as the difference between the net assets of a company and the price paid by its purchaser.

Intangible assets, which may make up a large part of any goodwill on acquisition, are those non-physical elements of a business like brands and licences which can generate future earnings.

There is nothing new about goodwill. As long ago as 1924, a court appeal made the distinction between "cat" goodwill, which is loyal to the business and stays if it is sold, and "dog" goodwill, which is loyal to the owners and goes with them and hence is lost to the business.

Nor is the presence and continued value of intangible assets like brands a recent phenomenon. Croft and Gilbey, the alcoholic drink brand names, were registered as trademarks in 1876, for example, while Cerebos salt dates from 1894 and Hovis bread from 1895.

But the debate came to the fore in the late 1980s, with the activities of a number of food groups. In early 1988 Nestlé made a bid for Rowntree worth more than twice the company's market capitalisation at the time. Later that year both Grand Metropolitan and Ranks Hovis McDougall started capitalising brands that they owned or had acquired.

Any attempt to cut down on the use of intangibles is likely to result in fierce opposition from businesses such as these, and from a growing army of accountants and other professional valuers. As a result, there is no doubt that the treatment of non-physical assets is one of the most controversial items currently on the ASB's agenda.

The existing uncertainty is also causing difficulties to those involved in preparing company accounts. For the year to August 31 1991, the balance sheet of Blenheim Exhibitions, the exhibitions organiser, shows net liabilities over assets of £81.3m. However, the goodwill reserve contains £296.8m, much of it representing exhibition rights that have been acquired. The directors make a point of saying that they will not include these intangibles in the balance sheet while the ASB is developing its proposals.

Any attempt to cut down on the use of intangibles is likely to arouse fierce opposition from brand-name businesses

As the role of service industries with a large number of intangible assets continues to rise, the issues can only become more important for a larger number of companies and the users of their accounts.

Mr David Nash, finance director of Grand Metropolitan, argues that the common practice in the UK of ignoring intangibles by writing off goodwill immediately on acquisition distorts the impression of gearing, return on capital employed and the value of the business making the purchase.

"The balance sheet presupposes that the intangible assets are worthless," he says. "In the majority of cases this does not reflect the underlying economic reality of the situation."

At the same time, pressure is mounting from other parties. Arthur Andersen produced a report* on Tuesday that addresses the valuation of intangible items. It suggests that a consensus is emerging on how to value them using rigorous methodologies.

A paper† is also circulating from Mr David Damant, chairman of MAP Securities, a stockbroking and corporate finance house. He argues that assets need to be valued at cost, not on the basis of future earnings generated by the assets. Otherwise, the logic is circular, since the valuer has to use a valuation of the assets in order to estimate these future earnings. Purchased goodwill, he adds, is simply a consolidation difference and not an asset in its own right.

Meanwhile, not to be outdone, the ASB has commissioned a team of five academics led by John Arnold, professor of accounting at Manchester university, to consider the issue on its own behalf.

The board has already started some tentative work in the area with a pronouncement from its Urgent Issues Task Force in late December, which specified how goodwill from acquisitions that had been consolidated should then be written off on disposal. Under the ruling, the goodwill element must be passed through the profit and loss account, and not simply quietly dissolved through a movement in reserves.

However, the greatest efforts are yet to come. The task force has merely offered an interim statement to one pressing case. The ASB must now set its mind to the issue of drafting and consulting on accounting standards to cover the topic both comprehensively and democratically.

"It's quite handy that all these things are coming at once," says Mr David Tweedie, chairman of the ASB, diplomatically. "We are all trying to work at this problem." He suggests that the growing importance of service industries, and hence the intangible items that go with them, mean the issue is going to become more important, and something the ASB can no longer wait to tackle.

One report has argued that inclusion would represent a controversial shift in what the balance sheet shows, from costs to values

He says that the ASB is likely to draft statements of principles by Easter on both the definition of assets and liabilities in the accounts, and on their recognition. A further statement considering valuation of assets is likely to follow later in the year.

A report on accounting for brands prepared by the London Business School in 1989 argued strongly that they should not be included on the balance sheet, or they could contribute to a "potentially corrosive" effect on the whole basis of financial reporting. It says that their inclusion represents a controversial shift in what the balance sheet shows, from costs to values.

It also highlights a series of problems with the valuation of intangibles: the methods used are inconsistent, subjective, and often theoretically questionable; the results are difficult to audit; and little information on how valuations are conducted is disclosed, which makes their assessment for a user of accounts impossible.

This week's Andersen report argues that many of these objections have been overcome. Mr Hugh Collum, chairman of the 100 Group of finance directors of leading British companies, which supported the research, is keen to stress that the findings are only a preliminary step in the debate.

Nevertheless, it hardly helps that the new study makes little effort to back up its suggestion of growing consensus with any figures. Nor that many of the organisations interviewed – and the sponsors of the report – already rely heavily on brand valuations.

Andrew Likierman from the London Business School, one of the authors of the 1989 report, certainly remains unconvinced. "This is an interesting contribution to the debate," he says. "I'm glad they have set out the issues, but it still leaves many of the basic questions unanswered."

**Arthur Andersen. The valuation of intangible assets. Economist Intelligence Unit, 40 Duke St, London W1A 1DW. £95*

†David Damant. On the valuation of assets. MAP Securities, 2-3 Philpot Lane, London EC3m 8AQ. £75

GRAND METROPOLITAN

....adding value

Grand Metropolitan enjoys an enviable reputation as a leading multinational group renowned for the strength of its powerful portfolio of international brands. The growth, enterprise and innovation of this dynamic group are attributable to the strength of management across all functional disciplines. Following the recent appointment of a Chief Internal Auditor, there is a need to strengthen further the audit function by filling two newly created management positions.

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West End — **c £45,000 + Bonus + Car**

Reporting to the Chief Internal Auditor, your role will be to initiate and execute specific computer audit assignments within finance and operations across several key business areas.

Responsibilities will include:
- ensuring compliance with policies and procedures and the integrity of financial data and systems, recommending corrective action where appropriate;
- being involved in the selection, development and implementation of systems, ensuring data validation and security verification are achieved;
- providing technical support and training to the financial audit teams.

A self-starting style combined with excellent presentation skills, both verbal and written, and strong commercial awareness are essential characteristics for this newly created and challenging position.

Your experience should include a demonstrable record of achievement and progression in a fast-moving, international environment. This should include significant exposure to a broad range of mainframe and PC-based applications. (Ref. 088J)

AUDIT MANAGER: RETAIL

Uxbridge — **c £40,000 + Bonus + Car**

Reporting to the Chief Internal Auditor, this newly created role will involve leading audit assignments covering the company's domestic property and retailing interests, together with corporate services where appropriate.

Specific tasks will include:
- recruiting, training and developing a professionally qualified audit team;
- playing a key role in the development and implementation of the annual audit plan,
- exposure to the newly created sector audit committee;
- undertaking special projects and routine audit assignments.

A resourceful, persuasive and resilient style combined with an empathy with a fast-moving, profit-oriented culture are essential attributes within this demanding environment.

Ideal candidates, probably aged 30-35, will have experience both within and outside the accounting profession, preferably within a large, multi-site corporate environment. (Ref. 089J)

Both of these high profile positions offer an excellent remuneration package and genuine scope for progression within a results-oriented environment.

ST. JAMES ASSOCIATES

For further information, please contact James Hyde on 071-287 2820 or, alternatively, send a detailed CV to the address below, quoting the appropriate reference number in each case.

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32 OLD BURLINGTON STREET, LONDON W1X 1LB FAX: 071-287 2821. TELEPHONE: 071-287 2820.
A GKR Group Company

Head of Financial Accounting

Barking, East London
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This is a new post to manage the financial accounting group and report direct to the Director of Finance. The annual turnover is around £40m and current capital building developments amount to £8m.

We are looking for a qualified accountant (probably ACA or ACCA) with at least three years line management experience in a commercial financial accounting role, sound IT abilities and good people-management and presentation skills. You are aiming to be a Finance Director within 3 to 4 years.

Further details from Personnel Services, Polytechnic of East London, Romford Road, London E15 4LZ. Tel: 081-590 7722 ext. 4321. Please quote ref. no. 4/N/92. Closing date 17 February.

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A small, independent Consultancy which specialises in medium and senior level search across the financial sector, seeks a person or people who would like to team up with them.

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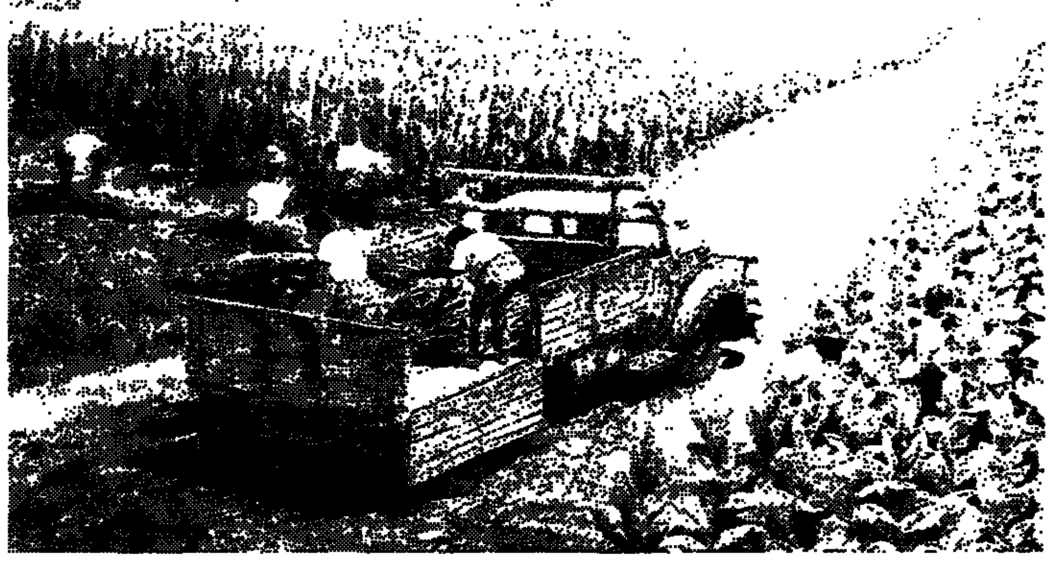
NEWLY QUALIFIED ACCOUNTANTS

Most companies keep their best people at Head Office

Ours are at the heart of the business.



Our 46 companies around the world are not managed by remote control. They are run by people who live in the local community, understand the local culture and speak the language.

Every few years these people move to new parts of the world and begin afresh, developing their careers and making themselves at home in environments as diverse as Africa, Asia, the Far East, the Americas and Europe.

The business management challenge is always uncompromisingly tough. Technical skills are tested to the limit and, since we expect people who join us as newly qualified Accountants to rise to Financial Directors in their early 30s, they have to be ready for senior level responsibilities at an early stage.

It's a career that makes weighty demands of even the most talented young graduate Accountants, which is why we impose such stringent selection criteria. Resilience, presence, social skills and linguistic aptitude are essential.

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We provide good training, as well as a full expatriate package, including an excellent salary and free accommodation.

If you believe you have the potential for an international career in business management, please write for an application form and further information to Jean Dempsey, British-American Tobacco Company Limited, Millbank, Knowle Green, Staines, Middlesex TW18 1DY, or telephone (0784) 448277 (24 hour answerphone) for an application form. Closing date for applications February 10, 1992.

BAT
A member of the B.A.T Industries plc Group

FAST STREAM ACCOUNTANTS

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Even if you're good enough to join the Accountancy Fast Stream, we'll still expect you to earn your stripes. But if you have the ability, commitment and ambition to fulfil your true potential, you'll find opportunities to go beyond the confines of your accountancy training and get to grips with projects that offer real intellectual challenge.

Our fast-stream programme is exactly what it says, a 'fast-stream' for people with outstanding talent, the determination to succeed and the ability to progress on merit on an accelerated career development path to senior levels of management.

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Your Grade 7 salary in central London will be in the range £27,799 - £36,417 including performance related increments. Most posts are in a variety of government departments in London but there are opportunities elsewhere, including Edinburgh.

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Please quote ref: A/92/1070/FT.

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Manager, Planning and Analysis

Corporate Finance Department

THORN EMI's strategy is to focus on a limited number of businesses which are competitive in the international marketplace. The Group's principal businesses are Rental and Music and we also have operations in Retail, Lighting, Security and Electronics. Together they generate a turnover of over £3.6 billion from activities in well over 100 markets. We have operations in 38 countries and employ over 51,000 people around the world.

We are looking for an exceptional, commercially-minded accountant to head up our planning and analysis team. Reporting to the Group Financial Controller you will be responsible for managing the planning process across the Group, reviewing business unit plans, forecasts and performance, and highlighting key issues and trends to senior management. You will also review all major capital expenditure and acquisition proposals and carry out, where appropriate, post-completion audits.

This is a high profile role and an excellent opportunity to influence business decisions. In addition to first class analytical ability you will possess strong interpersonal skills and a desire to make a difference. Experience in a similar role with a major plc would be an advantage.

Graduate accountants (ACMA/ACA) are invited to apply sending a detailed CV to Linda Cass, Corporate Personnel Manager, **THORN EMI plc,** Westmount Centre, Uxbridge Road, Hayes, Middlesex, UB4 0HB.

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This multi-site Retail Group has a strong brand awareness in the High Street. Despite adverse trading conditions, it has consolidated its position and increased market share. It is well placed to take advantage of an upturn in the economy and its plans for expansion will be to grow its c. £80m turnover substantially during the '90's. A Financial Director with a hard-nosed attitude to business and cost controls is required to complete the senior management team.

The Role

- Increase financial awareness and disciplines across business. Provide and interpret quality information for Board.
- Ensure systems and financial controls are effective -make improvements where required.
- Provide strong leadership skills within sizeable accounting function.
- Strategic planning. Commercial decision-making. Treasury matters.

The Qualifications

- High- quality finance professional, graduate calibre. Age 35-45. Successful track record preferably in multi-site retail, distribution or consumer-related industries.
- Highly motivated with hands-on attitude. Commercially aware and computer literate.
- Strong personality, excellent communication and leadership skills.
- Ability to absorb pressure, take responsibility and help drive business forward.

Please apply in writing, enclosing full c.v. quoting Ref. M88N.

ASB SELECTION

Amethyst House, Spring Gardens, Manchester M2 1EA. Tel: 061 [illegible] Fax: 061 [illegible]

Internal Auditors

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Our Client, a multi-million pound UK business currently employing over 17,000 people, has recently undergone a radical reassessment of its potential. They envisage that a dynamic and highly motivated audit team, of approximately 30 staff, will be a major factor in the change management of the new organisation.

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In the first instance, please forward a brief *curriculum vitae* including salary details and quoting reference number HC251, to Darrell Smith at Hunter Campbell, 1 Prince of Wales Passage, 117 Hampstead Road, London NW1 3EE. All applications will be treated in the *strictest* confidence.

Hunter Campbell

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This major UK plc has maintained an excellent record of growth within the fiercely competitive retail sector despite the difficult trading climate. Recognised as a leader in many of its markets, the group is well placed to benefit from improving economic conditions by continuing to promote a vigorous, innovative and resilient growth culture.

Due to a recent promotion, an outstanding opportunity has arisen for an exceptional individual to play a key role within the group management team.

Working mainly on a project basis, this individual will be responsible for:

- Development of the group's business strategy;
- Evaluation of capital expenditure proposals;
- Investor relations;
- Special studies, e.g., competitor analysis or market appraisal.

The appointed candidate must have the ability to earn respect quickly at Board level through shrewd, incisive and creative commercial thinking. Outstanding academic achievement and a first-rate professional record, combined with consumer-oriented commercial experience, are essential. **It is also unlikely that the successful applicant will be aged over 28.**

Opportunities for rapid promotion from this demanding, high profile role are excellent.

ST. JAMES ASSOCIATES

Interested applicants should send a detailed CV to **James Hyde**, at the address below, quoting reference number **101J**.

MANAGEMENT SELECTION

32 Old Burlington Street, London W1X 1LB Fax: 071-287 2821. Telephone: 071-287 2820.

A GKR Group Company

Price Waterhouse

EXECUTIVE SELECTION

Group Financial Controller

c.£40-45,000 plus benefits — Central London

We are a £300 million turnover diversified PLC comprising a wide range of entrepreneurially managed companies in the manufacturing, distribution and services sectors operating primarily in the UK.

With a philosophy of a high degree of devolved authority, the Group retains a small head office team. Reporting to and supporting the Group Finance Director, your main role will be to contribute to our financial viability and performance by the provision and interpretation of financial information at Group level — principally through the direction and co-ordination of the accounting process in our subsidiary companies.

Assisted by a small team, and working alongside tax and treasury specialists, your immediate priorities will focus on improving our budgeting, forecasting and overall reporting processes as well as the implementation of an enhanced system of financial targets and performance measures for the Group as a whole.

We seek a technically strong and commercially experienced qualified accountant. You will have previously worked within a group consisting of many operating subsidiaries and extensive dotted line structures. Further, you must be used to building constructive working relationships with assertive line managers in operating units. Strong spreadsheet/systems skills are essential. Tax, treasury, corporate finance and institutional experience — all this would be useful.

Ours is a hands-on and informal structure — so you need to be single minded, focused, proactive, non-status conscious, ambitious and able to make an immediate impact.

In return, we offer an opportunity to contribute to a major process of change and re-direction, a constant challenge to your abilities and a genuine opportunity to make your presence felt throughout all aspects of our business. Longer term prospects into any part of the Group are wide open.

If this appeals write to Hamish Davidson, our advising consultant, enclosing a full CV, salary details and quoting reference H/1229/FT:
Executive Selection Division
Price Waterhouse
Management Consultants
Milton Gate
1 Moor Lane
London EC2Y 9PB
Tel: 071 939 6312
Fax: 071 638 1358

Assistant Financial Controller

ACA

Attractive Package

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Due to a recent internal promotion there is a requirement to augment the financial management team with the appointment of an Assistant Financial Controller. Working closely with the Financial Controller, the responsibilities will be varied and will primarily concentrate on systems development and accounting for income arising from complex transactions, in liaison with the front office units. In addition, the successful applicant will be expected actively to contribute on policy issues and the ongoing development of the financial control function.

This opportunity will appeal to a chartered accountant (aged 28-34) with an impressive record of achievement and relevant experience in a similar merchant banking environment. Alternatively, a manager with a financial markets background within a 'Big 6' Firm may be suitable. Considerable systems development experience, exposure to treasury products, and the ability to manage people, are highly desirable criteria. In addition, the successful candidate *is likely to be a highly effective communicator.*

An attractive remuneration package is on offer which will include a competitive basic salary, together with the normal banking benefits. Potential to progress rapidly within this challenging environment is limited only by the individual's ability.

For further information in strict confidence contact Robert Walker on 071-287 6285 (evenings and weekends on 081-769 6836). Alternatively, forward a brief resumé to Walker Hamill quoting Ref: RW 1235.

WALKER HAMILL
Financial Recruitment Consultants
29-30 Kingly Street, London W1R 5LB
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- Lead financial analysis and planning initiatives that will create a model for change, critical to the future evolution of the Group's wide ranging interests.
- Play an influential role in assessing the financial viability, controls and reporting of existing and future operations.

THE QUALIFICATIONS

- CIMA or ACA, possibly with MBA, late 20s, with direct experience of a finance function, preferably Head Office. Highly numerate and computer literate.
- Outstanding intellect with aggressive commercial approach to special projects. Analytical by nature, able to deliver detailed financial evaluations of businesses.
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Our client is a subsidiary of a £400 million turnover UK group, with more than seventy companies throughout Britain and operations throughout Continental Europe and the USA. The company is a niche market leader in the manufacture of high quality products, supplying to both industrial and domestic markets. Following a sustained period of growth and profitability, a challenging opportunity has arisen for a high calibre Finance Director to join the management team.

Reporting to the Managing Director and with functional responsibility to group, key responsibilities will include:

* Production and interpretation of management information, budgets and long term plans
* Compilation of financial and statutory information for group reporting
* Development and control of managment information systems
* Control of a small but high profile team
* Full involvement in the strategic decision making process

Interested applicants will be graduate qualified accountants aged 30-40 with a proven track record in a manufacturing business. Strong *man-management* and *interpersonal* skills coupled with the stature and maturity to influence at board level are essential prerequisites. In return the company offers a highly attractive package and excellent career opportunities based on achievement.

For further information please write to **Paul Toner, Regional Manager at Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL,** enclosing a comprehensive curriculum vitae. Please quote ref: 3050.

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FINANCIAL PLANNING AND ANALYSIS
Milton Keynes

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BRUXELLES

Major international retailer with worldwide operations requires an experienced qualified senior accountant for their Bruxelles operations. *Reporting to the CEO, you will be responsible for* preparing group financial and management accounts, group consolidation and treasury functions.

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A competitive salary for the right candidate.

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£40k min

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FINANCE MANAGERS

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These are varied and exciting roles and will give the successful applicants invaluable "hands on" experience in what is a fast developing market in its infancy.

You will need:

- International Finance and Accounting experience, ideally within a manufacturing environment
- Local language skills or a demonstrated ability to learn a language
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- The ability to resolve issues within a working environment which is predominately non Western in culture
- Patience, diplomacy and initiative

Future prospects within this group are outstanding for achievers.

If you are interested in these challenging roles, you are invited to forward your CV in confidence to: Kevin Wright, Lloyd Morgan, Recruitment Consultants, Africa House, 64-78 Kingsway, London WC2B 6AH Tel: 071 404 5591 Fax: 071 404 8128

LM LLOYD MORGAN
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The successful applicant will be a Qualified Accountant with at least two years experience in an investment banking environment.

Interested applicants should write or fax brief career details to Tony Barnes at **Robert Walters Associates, 25 Bedford Street, London, WC2E 9HP Tel: 071-379 3333 Fax: 071-915 8714.**

ROBERT WALTERS ASSOCIATES

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Systems Accountant

Prestigious Banking Group

Age 28 - 32 — c £37,000 + Car + Banking Benefits

This leading financial institution is universally recognised as a key player in the global banking marketplace and has offices in all major financial centres. It has an outstanding reputation for service, integrity and professionalism throughout the businesses in which it operates.

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There is an immediate need for a young accountant to provide an additional resource within the finance function and act as a liaison between finance and systems. The role will be essentially project-based and will require an individual who can develop software applications within a PC, mid-range and mainframe environment.

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This interesting role will appeal to individuals with an enquiring, technical mind, who have the ability to effect change within a fast-moving environment.

In addition to a high base salary, there is an attractive mortgage subsidy, company car, non-contributory pension and other usual banking benefits.

Interested applicants should write to James Hyde at the address below, enclosing detailed CV, and quoting reference number 100J.

ST. JAMES ASSOCIATES

MANAGEMENT SELECTION

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Driving the business forward, we're investing in our management team to improve profitability whilst maintaining our very high standards of customer service.

Our new Commercial Services department needs two high calibre Accountants who are keen to grow in an environment where their impact will quickly be felt.

MANAGEMENT ACCOUNTANT TO £30,000 + CAR

You'll provide a commercial management accounting service to the Board focusing particularly on the management of stockholding and improving management information.

With at least 2 years' post qualification experience, you'll need to be an accomplished communicator, with strong people management skills to ensure that your ideas are successfully implemented.

PROJECT ACCOUNTANT TO £25,000 + CAR

To further our current expansion, we are committed to significant, diverse capital investment. A large part of your role will be responsibility for co-ordinating the control of the depot development programme and other capital expenditure.

Recently qualified, you should be seeking to gain wide experience in a project role.

Both positions report to the Director of Commercial Services and are based at Wellingborough, Northants.

If you'd like the responsibility, please send a comprehensive c.v. including current salary details to
David Werner,
Personnel Services Manager,
Booker Cash & Carry, Equity House,
Irthlingborough Road,
Wellingborough, Northants
NN8 1NZ.

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STEPHANIE COX-FREEMAN 071 873 4027

DRAKE EXECUTIVE

Operations Director Finance (Designate)
New Accountancy Business Start-Up
£50K package PLUS profit share

Here is an excellent opportunity for a qualified Accountant (chartered or certified) with substantial tax planning, VAT, PAYE and management accounts experience to join an exciting new business.

As part of an established network of Financial Services with over 20 years standing in London's business community, this new operation will offer substantial benefits in terms of economy and marketing expertise.

Initially your task as Operations Director (designate) will be to formulate the strategic plan in conjunction with the joint managing directors. Thereafter you will recruit and train a team of business advisors throughout the UK and subsequently be responsible for all executive legal financial planning advice to your team and their clients.

This is no boring accounts position — you will *ultimately* run your own business backed by a strong and established organisation — only high fliers need apply!

For a confidential interview please send your Curriculum Vitae in the first instance to AMANDA DOBBS at Drake International, or phone GORDON HAYES on 071-623 1226 for an early interview.

DRAKE INTERNATIONAL,
96 High Holborn, London WC1V 6LF.

Finance Director

Our client is a medium sized plc with a turnover in the region of £12-15 million per annum in the engineering sector.

A Finance Director is required to assist with both the existing business and to diversify into new areas. Candidates must be qualified accountants and able to show a mature and experienced background - not necessarily in engineering. An above average remuneration package will be *negotiated*.

Applications should be sent in confidence to Box No.A1690 Financial Times, 1 Southwark Bridge, London SE1 9HL

The Financial Times proposes to publish **the CIMA stage 4 examination results** on Thursday 6th February

Please call Philip Wrigley
071 873 3351

PCHA is one of the largest and most innovative Housing Associations working to combat the housing crisis in London. We currently manage over 9,000 homes from 8 offices and employ in excess of 300 staff.

The Association has a development program in excess of £40m and are set to increase their management base by over 2000 new homes in the next twelve months through a variety of initiatives.

In an environment of rapid growth and change we now wish to recruit for two key posts within a busy Finance Department to ensure the support and financial service is maintained at the highest level.

Homeless Initiatives Finance Manager

circa £30,000 + excellent benefits package (April Review)

Reporting directly to the Finance Director this key post will oversee the Financial Management of the Association's Homeless Initiatives activities. We have the biggest programme of leased homes in the country and this area of the Association's work continues to grow and diversify at a significant rate.

The post holder, who will also be a member of the Homeless Initiatives Management Team, will be a qualified Accountant and will need to display a high level of financial and management skills. He/she will also possess excellent communication and negotiation skills and be highly computer literate. The ability to work in a pressurised environment and grasp complex legal and financial issues is a pre-requisite for this challenging position.

Property Revenue Finance Manager

£21,532-£25,246 + excellent benefits package (April Review)

The continuing expansion of PCHA's activities has created the need for this new post. Reporting to the Financial Controller the post holder will be responsible for the day to day activities of the section to ensure an efficient service is provided to our Housing Management teams. In addition the post holder will be responsible for the Revenue Accounting for Sutherland Housing Association, PCHA's Shared Ownership subsidiary, WECH, the First Tenants Choice Housing Association and the Supported Housing function.

The post holder will also be qualified by experience or hold a recognised accountancy qualification. He/she will need to demonstrate excellent communication and management skills and have sufficient knowledge and experience to manage a fully integrated computer system.

Knowledge of Housing Association Finance will be an advantage.

In return we offer a competitive salary, excellent pension conditions, 32 days annual leave and other attractive benefits.

For further information and application form, please contact Christine Wilson, PCHA, Canterbury House, Canterbury Road, London NW6 5SU. Tel: 071-372 5671. Closing date for applications: 19 February 1992.

The Association is developing its equal opportunities policy and welcomes applications from all sections of the community. People with disabilities are encouraged to apply for all our posts.

PC HA

YOUNG AND AMBITIOUS?

FINANCE DIRECTOR

c£30,000 + bonus + car etc. — East Sussex

Within the next five years, our client will grow from the foundation of an old established and somewhat steady business, into a leading international player in their sector of consumer durables. Significant investment in both manufacturing and Sales & Marketing will show major improvements in quality, margins, market share and profit.

Following the promotion of the previous FD to Managing Director, they now need to appoint a strong Finance Director to get a tight control of the business and make a major contribution to the future by providing a sound commercial input to the board.

You will be fully qualified and still young enough (mid 30's) to develop you career as the company grows. You will have already held a "number one" role in a small/medium sized manufacturing company and be totally committed to the strict reporting disciplines of an autonomous subsidiary.

Other essential qualifications include: international trading and currency dealings; joint ventures/acquisitions; purchasing and the shear enthusiasm to make things happen correctly.

I know we are asking for a lot...but then there is a lot on offer!

This is a chance to join a company who have decided to move forward by investing in the future. Talk of "recession" and "survival" have no place here. The salary will be enhanced with substantial bonuses which reflect the group's commitment to achieving budgets, with considerable "over target" incentives. Relocation assistance to this beautiful part of the rural South East will also be available, if required.

Please write, enclosing CV, or telephone for an application form:

Adrian Wakelin, Wakelin Executive Selection, Park House, 679 Pershore Road, Birmingham B29 7NY
Tel: 021-414 1484 Fax: 021-414 1487
Quote Ref: 8697

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WAKELIN EXECUTIVE SELECTION

ACA for influential role in exciting UK expansion plans

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Anheuser-Busch European Trade Ltd, is a subsidiary of Anheuser-Busch, one of America's largest and most dynamic corporations ranking 43rd in Fortune 500. As the world's largest brewer, the Company is responsible for the famous Budweiser and Michelob range of beers.

New strategies to give these brands an even greater share of the UK market are now in place. However, the success of these initiatives will rely heavily on the effectiveness of our day-to-day operational control, as well as the efficiency of our financial reporting, analysis and decision-making processes... the key functions for which this new Accountant will be largely responsible.

Drawing upon at least two years' post-ACA management and financial accounting experience – ideally gained within the FMCG, drinks or food sectors – you will be pro-active, have a hands on approach and communicate confidently at all levels. Someone with a structured, inquisitive and creative approach to their work who can also bring a vital blend of tact, diplomacy, humour and personal leadership to this high-profile job.

The rewards and career prospects match the responsibilities. With the salary comes a comprehensive benefits package which includes a car, generous bonus, non-contributory pension and private medical cover.

Please phone TONY DORRINGTON at EY EXECUTIVE SELECTION, The Coach House, The Grove, Pipers Lane, Harpenden, Herts AL5 1AJ. Tel (0582) 462929/461961. Fax (0582) 461801.

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Computer Audit Manager

Recently Qualified ACA –
Tackle the systems behind the success.
Circa £35,000 + Car + Financial Sector Benefits
Chatham, Kent. Relocation Package Available

Black Horse Financial Services, a subsidiary of Lloyds Abbey Life plc, with over £1 billion under investment, is one of the fastest growing life and pensions groups in the country. Our continued growth, and our plans for expansion, have given rise to the need for a Computer Audit Manager.

This is a new position, reporting to the Chief Internal Auditor and the wide ranging brief will include establishing a computer audit function, preparing and developing audit standards and plans, managing and controlling computer audits, and the recruitment, training and development of staff.

Applicants should be graduate chartered accountants who having qualified within a large firm environment, have gained at least two years relevant post qualification experience either *in the* profession or a major commercial organisation. While financial services and IBM mainframe experience would be desirable, of far greater significance will be your well developed commercial and interpersonal skills. This is a genuinely high profile role requiring applicants who can market both themselves and their department within the Company, and exploit the many opportunities for career development.

In return for your commitment, professionalism and talent, we are offering a benefits package that includes a quality company car, a mortgage subsidy, other large company benefits and *if required* a relocation package.

For further details and to arrange an interview, please contact our consultant Adrian Simpson BSc ACA, at Barclay Simpson Associates, Hamilton House, 1 Temple Avenue, Victoria Embankment, London EC4Y 0HA. Telephone 071-936 2601.

Black Horse Financial Services

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